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P R O C E E D I N G S

of the

Select Committee of the Ontario
Legislature appointed to enquire
into matters concerning certain
Divisions of the Department of
Highways.

MR. A. KELSO ROBERTS, Q.C., CHAIRMAN

PRESIDING.

MR. V. J. JOHNSON, SECRETARY.

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VOLUME XXIII

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Toronto, Ontario.

Tuesday, June 29th, 1954.

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T W E N T Y - T H I R D D A Y .

Toronto, Ontario.

Tuesday, June 29, 1954.

10:40 o'clock, a . m.

The further proceedings of this committee reconvened
pursuant to adjournment.

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P R E S E N T :

Mr. A. Kelso Roberts, Q. C., Chairman,
Presiding.

Messrs: Hon. Dana Porter, Q. C.,

Collings,

Beckett, Q. C.

Janes.

Mapledoram,

Herbert,

Dent.

Oliver.

Wren.

Mr. L. R. MacTavish, Q. C., Committee Counsel.

Mr. V. J. Johnson, Secretary.

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A P P E A R A N C E S :

Hon. G. H. Doucett, Minister of Highways.

Mr. M. A. Elson, Deputy Minister of Highways.

Mr. W. A. Clarke, Chief Engineer,
Mr. C. A. Robbins, Chief Engineer
of Maintenance,
Mr. J. L. Zoller, Finance Comptroller,
Mr. J. D. Millar, Deputy Minister,
Department of Public Works.
Mr. Duncan Gordon, Management Consultant.
Mr. H. A. Cotnam, F.C.A., Provincial Auditor.
Mr. George Spence, Assistant Auditor.
Mr. Donald McQuigge, President, Ontario
Road Builders' Association.
Mr. D. H. Storm, Vice-President, Ontario
Road Builders' Association.
Mr. W. M. Philpott, General Manager, Ontario
Road Builders' Association.
Mr. D. R. Jennings, Q.C., for Standard Paving
Company.
Mr. Peter Wright, Q.C., for Hon. Mr. Winters,
Minister of Public Works,
Ottawa.
Mr. Fred Duncan, for the Liberal Opposition.
Mr. H. Tregaskes, Department of Highways.

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THE CHAIRMAN: Gentlemen, I think it is time
to commence our proceedings this morning.

The hon. George Doucett, Minister of the Depart-
ment of Highways, is here this morning, and perhaps he
would like to sit a little closer to the Committee, together
with any members of his staff who wish to do so.

There are one or two things, by way of a preliminary
which I would like to take up at this time.

Apropos of the brief which was presented yesterday, I would like to draw the Committee's attention, very briefly, to page 731 of the Evidence, in Volume 5, taken at Albany, which I think coincides with one of the items in the brief. Mr. Cohen, who is the gentleman in charge of departmental contracts and accounts, said:

"Mr. Nickerson" - the Chief Engineer - "referred to the fine group of contractors we have in this State. Most of them belong to the General Contractors' Association, and this Department has a joint committee with the representatives of the A.G.C., and they keep their membership informed. The relationship is excellent, and we get along beautifully because they are well informed on every policy of the Department."

I thought I would draw that to the attention of the Committee in view of the fact that we had references yesterday to, and some discussion on a somewhat similar suggestion in the brief.

Is there anybody present from the Bonding Companies this morning? (No response.)

Tied in with the brief, would be the question of the form of the bond, and I would like to discuss that this morning, while our friends are here from the Roadbuilders' Association.

Mr. Doucett, I do not know whether you had the opportunity of looking at this brief or reading it.

HON. MR. DOUCETT: No, Mr. Chairman; I have not had the opportunity of reading it through as yet.

THE CHAIRMAN: When we adjourned yesterday we had concluded the representations of the Contractors, as set forth in the brief, and as amplified by questions.

It was felt at that time that the Department, of which you are the head, -- and the decisions as to policy dealing with the matter is entirely in your hands -- the Committee will like to hear any comments that you, or anybody else may wish to make, by way of evidence before this Committee.

The record is before us, with these various briefs, and I would want you to have every opportunity -- and your Departmental Officials as well -- to deal with any matter which has been presented.

But, as I say, the responsibility is yours to determine what you want to do and how far you will want to go.

HON. MR. DOUCETT: Mr. Chairman, I might say I received this brief only within the last half hour, and I have had no opportunity of reading it. I think I should.

THE CHAIRMAN: Supposing we left any discussion of that until after luncheon; would that give you time to consider what you might want to present in the way of evidence?

HON. MR. DOUCETT: I certainly should have a

chance to read it over, but we have some of the members of the Department here who have heard the evidence, I presume, and have read the brief, and they might be able to throw some light on it. I spoke to my Deputy Minister this morning, and he has discussed it with the officials.

THE CHAIRMAN: I am quite agreeable to leave the matter for the moment, and give you an opportunity to look over the brief very thoroughly, perhaps until after luncheon, and we might go on with something else this morning.

HON. MR. PORTER: If the Deputy is prepared to say something, I think we might hear him.

MR. OLIVER: In regard to the question of the Deputy coming forward, Mr. Chairman; any representation which the Department has to make in relation to the submission of the Contractors' Association should be the considered views of the Department, including the views of the hon. Minister. We do not want to hear the Deputy Minister at this time. The hon. Minister has not read the report. What the Deputy might say might not agree with what the hon. Minister may say. Why should we get into a hodge podge of this kind? Should we not leave it until the hon. Minister has read the brief, and what we would receive then would be his considered opinion.

HON. MR. PORTER: Then I think this afternoon would be a bit too early.

MR. OLIVER: What we are doing is just putting up a sort of a running defence.

HON. MR. PORTER: I do not know that it is a question of defence or otherwise. There might be valuable discussion on some of the points. I do not know that any of the views expressed would be binding on anybody. If the Committee thinks it is useful to have a discussion on some of the questions, oh, very well.

On the other hand, if it is more desirable to give the hon. Minister an opportunity to express a more final opinion on the question, that might involve some delay.

THE CHAIRMAN: My friend, Mr. Oliver, had an engagement yesterday in Ottawa and could not be here.

MR. OLIVER: I simply could not be here, Mr. Chairman.

THE CHAIRMAN: I realize that. Sometimes somebody coming in cold is not in as close contact with matters, as someone who has been here. I think the best interest of all concerned would be served by deferring calling any witness until after luncheon. I think that will provide an opportunity for the hon. Minister to look over the brief.

MR. OLIVER: Coming in as I did, cold, if the views that I have expressed here coincide with those of all my friends, that is alright.

MR. JAMES: The staff is entirely conversant

with what we discussed yesterday.

MR. WREN: The Deputy Minister is not as conversant with some things, as he might possibly be, or may be at some time in the future.

HON. MR. PORTER: I understand that some of the proposals put forward by the Contractors might be opened for discussion. It may be advisable not to deal with them immediately, but to give the Department a chance to give full consideration to them, and then possibly some definite position might be taken. Even if that is the case, I think it is giving them a very short time.

THE CHAIRMAN: Let us see what develops, and follow it through from yesterday. We have this in our minds now, and I think the best time to discuss it is when it is fresh in our minds, and not after a month's time.

MR. WREN: I gather that you are going to ask the hon. Minister to explain the statement of the Contractors, that he was aware of the ridiculous unit prices.

THE CHAIRMAN: I think it is only proper to allow a few hours to determine some of these things. The responsibility is on the Department to determine what they want to say in reply to the evidence before this Committee, or any reply they wish to give to us.

I think we might carry on where we left off and revert to this again after luncheon, say, at 2:30 this

afternoon. Would that meet the views of the Committee?
(Concurred in unanimously.)

I think we have other matters to which we can go this morning. For instance, the question of the bond. We have received evidence in different places concerning this matter.

For instance, may I refer the Committee to page 760, in volume 5, of the Proceedings taken at Albany. There they stated:

"We have a performance bond, and labour and material bonds. The performance bond is for our direct benefit, to be sure the job is finished. The labour bond is to make sure that the labour will be paid."

In North Dakota we found their bond combined the two into one, labour, material and supplies, as well as general performance conditions, and they made it a direct obligation to the material men and the labourers on the part of the bondsmen.

As far as this Committee is concerned, I think we should just make a general recommendation, if we feel that that sort of bond is advisable, and leave it to the officials, legal and technical, to work out the wording of the bond.

While the Contractors are here represented, they might wish to make some comment on the bonding feature, beyond what was said yesterday, having in mind that there

is more than a strong possibility that this Committee will favour double-barreling the bond, in the same way I have mentioned.

MR. WREN: I think you were concerned as much as I on another occasion, with the fact that no member of the Committee could learn the extent that wages had not been paid on some of these contracts. I think it is a shame that wage earners should have their wages withheld for many, many months, because of the failure of some Contractor to do his work, or some official to supervise it properly.

I think that something should be done immediately to ensure that the wage earners will be paid on their paydays, and not six months afterwards.

MR. MAPLEDORAM: I think we went further than that, and felt their wages should be paid in the communities in which they were working. I think the whole Committee is in accord with that. We have given that considerable consideration, wherever we went.

MR. OLIVER: Does not the bond in New York State include material?

MR. MacTAVISH, Q.C.: Labour and material.

THE CHAIRMAN: Would you care, Mr. McQuigge, to make any comment on the bond angle, further than what you have already said.

MR. McQUIGGE: Mr. Chairman, I think this Association would be in favour of protecting any third

parties who might be subjected to a financial loss by the operation of a third party. In other words, the stricter the bond regulations are for the protection of the suppliers and the wage earners, in fact, any person, the better it would be and I think we would strongly support such a move.

THE CHAIRMAN: Would you see any serious practical objection to a declaration each month, when instalments are being paid by the month on behalf of the Contractor, that all this sort of thing should be cleared up? Do you see any practical difficulty in having attached to the contract a statement that all wages, and so forth, are cleared up to the time of the instalment, or to so many days prior thereto?

MR. McQUIGGE: There might be some technical difficulty to pin it down to a month, but I think the spirit could be well complied with.

MR. MAPLEDORAM: The same thing applies to businessmen who are dealing with the Contractors.

THE CHAIRMAN: That is done in building loans all the time, and it seems to me that it could be done without putting on some regulation with which it might be hard to comply.

MR. McQUIGGE: I do not think it would be very difficult to comply with that. I feel also that the Department of Highways should provide something they consider fair and equitable, in collaboration with the Contractors, and I am sure it would have very equitable

results. In other words, we would cooperate in every way.

MR. OLIVER: The Contractors would have no objection, as I see it, to paying the prevailing wage in the locality in which the contract was based, because that would be covered in the original tender.

MR. JAMES: Would that cover everything - machinery, too?

MR. WREN: Which bonding companies are the most active in the highway construction field?

MR. McQUIGGE: I think the U.S. Fidelity and Guaranty was one of the largest, the Canadian General, and the London and Lancashire group. There are several others, but these are the principal three.

MR. WREN: What agencies in Ontario are most active in representing these firms?

MR. McQUIGGE: I cannot tell you that. There are so many agents; there are dozens of them.

MR. WREN: Was any suggestion ever made to any Contractor as to whom he might deal with in regard to a bond?

MR. McQUIGGE: Not to my knowledge.

MR. WREN: You do not know of any incidents?

MR. McQUIGGE: No.

MR. WREN: No contracting firm is ever recommended to any particular company?

MR. McQUIGGE: No. These decisions we have always made ourselves.

MR. WREN: Mr. Chairman, yesterday you handed me a copy, which I will return to you now -

THE CHAIRMAN: I do not want to leave these bonding companies just for a moment.

MR. WREN: That is what I am getting at. This (indicating) is a tender submitted by the Fort York Construction Company. I think it would give a clear picture, if we had some responsible Departmental official cover the outlining of this contract, from the start to finish. I understand the bonding company has now taken it over. Is that not due to the manner in which they have been operating?

THE CHAIRMAN: You are asking for a case history.

MR. WREN: A case history of the Fort York Construction Company, which is fresh enough in everybody's minds.

THE CHAIRMAN: Is there anybody here, Mr. Doucett, who might comment on that?

HON. MR. DOUCETT: I think the Finance Comptroller would know as much about it as anyone.

MR. CHAIRMAN: Mr. Zoller, would it be taking you by surprise, to ask you to comment on this now?

MR. ZOLLER: I think I can.

THE CHAIRMAN: Perhaps we should swear the witness so we will not be caught off base for having omitted that part of the procedure.

J O H N L A V E R N Z O L L E R

Financial Comptroller, Department of Highways, being called before the Committee, and having been duly sworn, testifies as follows.

THE CHAIRMAN: I think Mr. Wren has asked a general question. Perhaps he will repeat it.

BY MR. WREN:

Q Perhaps, Mr. Zoller, you could take this (indicating), a copy of which is filed as an exhibit, and tell us approximately when these contracts were awarded -

A I have no information at all of the approximate date the contracts were awarded.

Q Alright. Then can we see the amounts of the contract?

A I will have to get that information. I understand what you wanted was a kind of summary of how the bonding system worked, in connection with this Department.

As to the actual dates, and so forth, I would like to get a copy of the contracts.

MR. CHAIRMAN: Will you tell us what you can now.

BY MR. WREN:

Q Just take that (indicating), and determine it as best you can. This is a contract of the Fort York Construction Company, No. 51-71, which was awarded to it.

If that figure (indicating) is right, - and I believe it is - I presume it is \$546,570, and they will apply for a bond for that amount of work.

Q Do you know who supplied it?

A The U.S. Fidelity and Guaranty Company supplied that bond.

Q Through what agency?

A I cannot tell the agency at all until I get the bond.

Everything goes along very smoothly until such a time as the Contractor gets into difficulty, and cannot complete the job, then we call in the Bonding Company to complete the work.

The bond is a guarantee for \$546,000 from the bonding company.

The first responsibility of the Bonding Company is to see that the contract is completed. After the contract is completed, they will pay bills for materials and wages, up to the amount of the bond.

Q What about over-runs? How does the bonding company deal with over-runs.

A If this contract goes over \$1,000,000, we are still guaranteed the payment of the accounts up to \$546,000. It might be up, after the \$546,000 is re-checked. We are guaranteed up to \$546,000.

If it came to \$1,000,000, we only have the \$546,000 guarantee, and it is the responsibility of the Bonding Company to collect additional payments from the Contractor, for any additional payments they may make.

Q Who guarantees the difference between the one

figure and the \$1,000,000?

A There is no guarantee.

Q Do you mean to say the Province is wholly unprotected on these over-runs.

A No, we are protected up to \$546,000. If the \$546,000 has been spent by the Contractor, there is no liability -

BY THE CHAIRMAN:

Q Let us get that quite clear. Supposing a bond is given on the basis of the original contract, and supposing in six months there is a work order for something extra, which amounts to \$200,000. Does this bond cover the \$200,000?

A No, it covers the contract up to \$546,000.

BY MR. WREN:

Q Who protects us from then on?

A I will try and explain that. When the extra order is written, there has been so much work completed. If they do \$300,000 work, there is only \$200,000, and if an extra work order amounts to \$200,000, then there is \$400,000, and the bond covers the contract up to \$546,000.

BY HON. MR. PORTER:

Q Anything they do over and above the amount of the contract -

A Money can have been paid up to that point.

BY MR. WREN:

Q Are you prepared to state that the work order

which is in addition to the value of the bond, is covered by that bond?

A Up to the extent of the bond, yes.

BY MR. MAPLEDORAM:

Q If it was \$400,000, you still have \$146,000 protection.

BY MR. COLLINGS:

Q Would we not be in a more safe position if we had a bond of \$1,000,000?

A The original contract is only \$546,000.

BY HON. MR. PORTER:

Q Is not the bond limited to the contract?

A No, under the contract the bond is written -

BY THE CHAIRMAN:

Q Show me where the obligation goes beyond the contract. (Handing document to witness)

A The terms of this bond -- if you read this clause, you will see it says:-

"Whereas by contract in writing dated the" -- and give the date - "day of" -- and insert the month - "and made between the said" -- insert the principal's name - "and Her Majesty, Queen Elizabeth II. represented in that behalf by the honourable the Minister of Highways for the Province of Ontario, which by reference hereto is made a part hereof."

BY HON. MR. PORTER:

Q When there is extra work --

A Under the terms of the contract, the Department can increase, change or alter the contract.

Q So the extra work is all within the contract itself?

A Yes, and the changes are made here (indicating).

BY THE CHAIRMAN:

Q The bond is posted on \$400,000, if that is the amount of the original contract?

A Yes.

Q If the job goes up to more than that, the Bonding Company calls for more premium?

A That is up to them.

BY HON. MR. PORTER:

Q You still say they are liable?

A Yes.

BY THE CHAIRMAN:

Q For the maximum of \$400,000?

A Yes.

BY MR. COLLINGS:

Q Suppose when the Bonding Company is called in to take over a contract, and the Contractor has done \$400,000 of work and \$200,000 is not paid in wages and material, their first obligation is to pay the accounts owing?

A To complete the job.

Q Not to protect the suppliers and the wage earners?

A No, the first obligation is to complete the job.

Q In the end, when all of the amount of the bond is

used up, and there is still owing \$100,000 for material and wages, who is responsible for that?

A There is no responsibility.

Q Very good. Would it not be far better if the Department were a little closer in estimating these jobs, so we could have a bond to cover the whole and proper estimate?

A I think that would be logical.

BY MR. WREN:

Q May I read this (indicating) into the record, the note on it, and ask the witness if it does not apply?

The bond merely states:

"Now therefore the condition of this obligation is such that if the said Principal shall observe, perform and keep all the terms, covenants and conditions of said contract on said Principal's part to be observed, performed and kept, and shall well and truly indemnify and save harmless the said Obligeo from any loss resulting therefrom, as aforesaid, then this obligation shall be void, otherwise to remain in full force and effect."

Q That bond was, in my opinion, to cover the original contract.

A Yes.

BY THE CHAIRMAN:

Q Then what I want to ask is this: Mr. Zoller, when an increase of 25% or 50% occurs over the

original amount, as between the Department and the Contractor, do you call in the Bonding Company to get their approval?

A No, it is not needed.

Q You may not think it is needed, but a lawyer might think otherwise.

BY MR. WREN:

Q I think it would be obvious, because there had been so few difficulties. The reason there have been so few calls is because the Department has not carefully watched the contract over-runs and there has been no increased amount of bond requested.

A This is the first time we have gone to a Bonding Company for some time.

BY MR. COLLINGS:

Q Let me put it this way, Mr. Zoller; take Mr. Storm's contract that went from \$327,000 to \$750,000. When he had completed up to \$327,000, was the Department concerned about a bond when you know at that time it was going to go to \$700,000.

A We assume all the accounts were paid up to that time.

Q Do you get an assurance from Mr. Storm that material and wages amounting to \$327,000 have been paid?

A No, not until the contract is completed.

Q So it could be, you might go on and finish the contract and then find out there might be outstanding . .

accounts.

A That is possible, but if a Contractor has any large outstanding accounts, we are very soon notified by the creditors.

BY MR. WREN:

Q Do you get an endorsement in a case such as Mr. Collings mentioned, stating they are aware that this extra money is to be expended, and the bond will continue to apply?

A No.

BY HON. MR. PORTER:

Q You take the position that the bond in its present form covers the extras, providing all the previous payments have been fully made?

A That is right.

BY MR. BECKETT, Q.C.:

Q No. These bonds are for a definite amount.

A They are for definite amounts, but written in conjunction with the terms of the contract, and the terms of the contract are that we can change or increase the amount of the contract.

Q But there is no provision for increasing the bond?

A No. The bond is written --

Q If you increase the contract, why not increase the bond?

BY MR. COLLINGS:

Q If you know there is going to be an over-run, could you not ask the Contractor to furnish a bond to finish the job?

A Possibly I am not making this quite clear. We have been discussing this question with the Bonding Companies and their representatives. We are concerned about the same type of thing, about which you were speaking.

They advise us that this bond is written in accordance with the terms of our contract, and under the terms of the contract we can increase the amount in that contract.

This bond covers it up to the total amount of the bond, irrespective of when the increase took place.

Q Very good: supposing Mr. "A" goes into bankruptcy when he has spent \$600,000 of that contract? You call in a Bonding Company, and you find there are unpaid accounts in material and wages to the value of the original contract?

A Yes.

Q And there are still \$150,000 required to complete the contract?

A Yes.

Q What about that amount?

A They will finish the job and will pay the balance for material and wages?

BY MR. OLIVER:

Q If you are bonded to the amount of \$350,000 and the contract runs to \$700,000, and having completed the contract up to \$350,000, are they going to go on and assume responsibility for another \$350,000?

A That is right.

MR. WREN: It is my opinion that the Bonding Company has been induced into a contract up to a certain amount of money. While you might suggest that you make certain additions or deletions to that contract, I do not think the Company could be held liable for that increased amount of \$200,000 or \$300,000 over the original amount.

THE WITNESS: Mr. Chairman, all I can say --

BY THE CHAIRMAN:

Q You think it is covered?

A We have been in touch with representatives of the Bonding Companies.

Q Have you taken the opinion of your Legal Department?

A Oh yes, and they say it is correct.

Q You have taken a legal opinion in your Department?

A No, I have not, because our lawyer has not been here long enough.

Q The bond comes from the Bonding Company and you did not ask for any legal opinion from the Legal Department?

A Oh yes, surely.

BY MR. OLIVER:

Q Up to the time of the trouble with the Fort York,

how many times were bonding companies called in in the last two or three years to complete a job.

A I do not recall any.

MR. OLIVER: That is a partial explanation, where the Bonding Company was willing to take a chance, where there actually are no chances.

BY MR. BECKETT, Q.C.:

Q This bond which has been handed to me (indicating); is that a performance bond?

A Oh yes.

Q It is a contract bond?

A A contract to do a certain job.

Q There is a big difference between a contract bond and a performance bond. The performance bond guarantees the performance of the work, and this is a contract bond, to perform the contract for that amount of money.

A For the contract, as it is written.

Q For that amount of money?

A Yes, for that amount of money.

Q But not a performance bond?

A Yes, it guarantees that the Contractor will do the job or get the job done.

In this contract (indicating) instead of having all the details written in the bond, it simply refers to the bond.

Q This says, "for a definite amount of money".

A That is correct.

Q Under a performance contract?

A That is right.

BY MR. COLLINGS:

Q Following up Mr. Bockett's argument; in the case of the Fort York, is it similar to the one you have?

A That is right.

Q Have you made any calls on a Bonding Company to come in and perform their duty?

A No.

Q From that job, you have in your hand there (indicating), Mr. Zoller, how many of those contracts were let to the Fort York?

A I think there were two.

Q Is it the same Bonding Company on both the contracts?

BY MR. WREL:

Q They had two more contracts?

A They were only allowed the two contracts. Those (indicating) are the tenders submitted.

Q It does not show those which were not awarded to them, so I assume that they did not get the contracts.

A The Fort York Construction had two contracts on the Atikokan road.

BY MR. COLLINGS:

Q They issued a bond by the same company?

A Yes.

Q Have they been called in to finish the contract?

A Yes, they have been called in to complete the job.

Q Have you any knowledge as to whether the bonding company is actually doing the work on both the contracts?

A They have hired a Contractor to do the work. Not only that, but they have arranged payment of the bills.

BY MR. WREN:

Q This may not be within your purview, but do you permit the Bonding Company to select any Contractor they wish, to finish the job?

A That is their responsibility.

Q You do not worry about the private Contractor?

A They are supposed to finish the job.

Q Suppose it is an incompetent Contractor, who cannot complete it; who will pay the difference?

A I do not know. We never had that difficulty.

BY MR. COLLINGS:

Q Coming back to the point I mentioned a moment ago: when the Department is aware there is going to be an overrun of a considerable amount of money, I think it would be good policy for the Department to call in the Contractor, and ask him to supply another bond to finish the job. Then you would have a bond for \$750,000.

A Under the present bond, I think we would have it.

BY MR. OLIVER:

Q Is this Fort York matter the typical way in which the Bonding Companies operate?

A I think so.

Q There was one suggestion that perhaps some of the principals had guaranteed the bonding company they would not have a loss.

A I do not know anything about that.

MR. JAMES: Would it not be wise to hear some representative from a Bonding Company?

THE CHAIRMAN: I have asked for that.

MR. WREN: You might subpoena him.

THE WITNESS: That might be a good thing, if we are wrong in our way of thinking. Then it should be corrected.

I have taken this up with the representatives of the bonding companies, and I have given you what I have been informed.

THE CHAIRMAN: Whom do you suggest would be a good man to come here to speak for the bonding companies?

MR. COLLINGS: If we subpoena the U.S. Fidelity, they will soon send someone along.

THE CHAIRMAN: I thought we would have someone here today, because in Fort William I was spoken to by one of their representatives, and yesterday, through our Secretary, I asked that somebody be here.

MR. OLIVER: I think we should have the representative of the Bonding Company which bonded this Fort York outfit,

A That is the U.S. Fidelity.

MR. OLIVER: I want to determine if they can give any assurance we are protected against the loss on these contracts.

BY MR. WREN:

Q There is one company which, according to the evidence we have, has gone bankrupt, and the Bonding Company has taken over, and put on another contractor. It is the same principle.

I may be wrong, but I think the Bonding Company has been guaranteed by the subsidiary company of the parent company, that they would indemnify the Bonding Company from loss.

I do not want to see the Province "stuck".

MR. JANES: It is alright; the contract has already finished maybe 50%, and there has been no loss to the Bonding Company.

MR. WREN: And the people waited six months for their wages.

MR. JANES: The contract is still covered for \$400,000, so we cannot imagine there is not enough money to pay them.

MR. COLLINGS: In fairness to the Malvern Construction Company, and if they are not bankrupt and are still doing business, then it is the responsibility of the Bonding Company, no matter whom they hire.

If the Malvern Company goes "broke" in the process, they have to get somebody.

MR. WREN: What I cannot understand is this; if the Bonding Company was so co-operative, why did the

creditors have to wait for months to get their pay?

THE WITNESS: There is one point which would explain that.

The first obligation of the Bonding Company is to complete the job. They do not know how much money will be left, until after the job is completed.

In the case of the Fort York Construction Company there is ample money to finish the work and pay the creditors. There is no argument about that.

MR. WREN: I was thinking of the legitimate wage earners, and other creditors having to wait so long to get paid.

MR. MAPLEDORAM: They had to go into receivership?

THE WITNESS: They have not gone into receivership, have they?

BY MR. MAPLEDORAM:

Q The Fort York Company has.

A Not necessarily.

BY MR. OLIVER:

Q There is no call upon the Bonding Company to pay wages?

A I do not say the Fort York is in bankruptcy. They said they could not complete it, and the Bonding Company came in.

MR. COLLINGS: I am sorry if I created the impression that the Fort York Company has gone into bankruptcy.

BY MR. WREN:

Q Who told us they were? Somebody told us.

A That is one thing the two companies object to. The Wolfe Construction Company has not gone into bankruptcy.

THE CHAIRMAN: They have gone to the Bonding Company because they could not complete the contract?

THE WITNESS: That is right.

BY MR. OLIVER:

Q How do you view the obligations to the creditors, as against the obligations to the Crown, under the bond? The obligation to the Crown comes first?

A Yes.

Q Where does the obligation to the other creditors come in, under that bond -- for wages and material?

A After the obligation to complete the job is finished, then these wages and materials will be paid for.

BY MR. WREN:

Q If there is nothing left, there is nothing for them?

A I would say that is correct.

MR. WREN: I think that is a very loose method

of handling it.

BY MR. OLIVER:

Q Where do you find that, in the wording of the bond?

A What is that?

Q That there is a second obligation.

A That is in the contract, not the bond. You will have to read the terms of the contract, in conjunction with the bond.

MR. COLLINGS: May I ask a question right there, Mr. Oliver?

MR. OLIVER: Yes.

BY MR. COLLINGS:

Q Supposing the Bonding Company comes in and finishes the job, and they pay all the money to the Malvern Construction Company, without any guarantee that the Malvern, in turn, will pay for material and wages?

A They could do that.

Q Do they do it? Does the bond cover the payments, in that respect?

A I would say that is right. I would say the bond covers the completion of the job.

Q To whom? To the Malvern Construction Company?

MR. BECKETT, Q.C.: I think if we had a representative of the Bonding Company here, we would see that

the bond covers the completion of the job, no matter what the job costs.

THE CHAIRMAN: Let us get somebody named and contacted, to come before us.

THE WITNESS: I have been dealing with Mr. Agnew and Mr. Fraser in the United States Fidelity and Guaranty Company. I think Mr. Agnew, or one of his seniors, could give you that information.

THE CHAIRMAN: Would somebody contact them now, and see if we can get them up here.

THE WITNESS: I would be glad to do that.

THE CHAIRMAN: Our Secretary might do that.

BY MR. OLIVER:

Q Do you know of any instance where a Bonding Company has been called in, where they actually paid the wages and the material costs?

A Oh, yet.

BY MR. WREN:

Q Over and above the amount of the bond?

A Up to the amount of the bond. There is one thing you must bear in mind. The contractor is paid up to a certain date. The bills are paid up to a certain date, so you reduce your liability, as far as that is concerned. If it was \$500,000, and \$140,000 has been paid, there is \$360,000 left.

Q My understanding of a bond -- and I have had

some experience in municipal work -- is that the first responsibility of the bonding company is to guarantee the owner that the work will be completed.

A That is right.

Q Does that also carry a guarantee that the creditors and wage earners, in connection with any work they do in the completion of the job, are protected?

I understand they are not?

 The Crown is protected up to the face value of the bond, but if there is any money owing after that --

MR. MAPLEDORAM: They have to sue for that.

THE WITNESS: Yes.

BY MR. MAPLEDORAM:

Q You said, Mr. Zoller, in effect, these companies were not in receivership?

A To my knowledge they are not.

Q Would the Province still issue them contracts? Would they still be in a position to bid on contracts?

A I cannot tell you, until they bid.

Q That is a position about which I would like to know?

A Perhaps the hon. Minister or the Deputy Minister can explain that.

Q If they are not in receivership, what are they, when they cannot pay their bills and finish the jobs.

MR. COLLINGS: Mr. Chairman, I am looking at a contract here, where the amount is three times the original contract, and I would like to ask a question on that.

THE CHAIRMAN: Certainly.

BY MR. COLLINGS:

Q Has your Department, as far as the bonding is concerned, ever been concerned in respect to this contract?

A I do not know what contract it is to which you are referring. But we have been concerned with the bonding for over-runs, quite a great deal. That is why I have been in touch with the Bonding Company, to see if the bond covers that, and the Department is protected.

BY THE CHAIRMAN:

Q Why go to the Bonding Company? Why not ask the Legal Department?

A Until last year we had no Legal Department.

BY MR. COLLINGS:

Q Let us get the answer. Here is the Hewitson Construction Company, \$396,000. Your bond only covers that amount. We have paid, up to April 28th, 1954, \$1,414,000., yet we are only protected, as far as the bond was concerned, for \$331,000. Was there anywhere along the line you became concerned over that particular

bond on that particular contract?

A I do not say that we were concerned with the Hewitson bond particularly, but with all bonds.

I was in touch with the Bonding Company, and they say we are protected up to the total amount of their bond. Whether they were "slipping something over", I cannot say. But we have coming from the United States Fidelity, that they have guaranteed the contract.

Q Supposing on this particular contract, that \$600,000. of this job was completed, and you called in the Bonding Company: how far would you get with the completion of that contract, under your bond?

A Up to the amount of \$331,000.

Q So the Province was only guaranteed for \$331,000., and we would have to find the money out of the Consolidated Revenue Fund to finish that job? Is that not a fact?

A That could be a fact.

MR. COLLINGS: Certainly. I think something should be done to secure a further bond, once it looks as if there is going to be an over-run.

BY MR. WREN:

Q Did I understand you to say that the Department has been doing hundreds of millions of dollars' worth of work in the last few years, and you have been

handling that by contract, without the advice of legal men? Do you mean to say you did not have any legal advice?

A That is right.

BY MR. OLIVER:

Q Did you at any time call for legal advice?

A We have at times. I do not see the necessity, in connection with bonds.

BY HON. MR. PORTER:

Q From time to time you employ counsel?

A Yes.

Q Some of the most eminent counsel have been called in to the Department from time to time, to my knowledge, in reference to certain matters.

A Yes.

BY MR. OLIVER:

Q In reference to the bonds, you never called in legal advice?

A No, we did not call counsel.

Q You do not feel you needed them?

A Let us put it this way: From our experience with the law, we did not have to.

BY HON. MR. PORTER:

Q How long have you been in your present position?

A I have been Financial Comptroller for a year last February.

Q It may be that at the outset, when these bonds were first settled and accepted, there may have been some stage where they were not gone into very fully?

A There is no doubt about that.

Q They would not have to renew their certificate?

A Our contract is now in the hands of a very prominent lawyer downtown, who is looking over the terms of the contracts.

THE CHAIRMAN: In regard to this form (indicating), I think the Attorney-General of North Dakota has to approve it, before it is good.

MR. JAMES: Is he a good lawyer?

HON. MR. PORTER: As good as some of our advisers.

MR. COLLINGS: On the tenders submitted by the Fort York Construction Company, on which there is trouble with the Bonding Company, we have not been advised as to what the over-run is up to a given date. Did we ask for that?

BY THE CHAIRMAN:

Q You have quite a list of contracts, I think?

A I was asked for two contracts yesterday, and that did not include the Fort York. The information I

was asked to get was not for the Fort York.

Q Have you ascertained from the records in the Department, Mr. Zoller, any information, which makes you feel assured that there is sufficient remaining in the bond to finish both of these Fort York contracts?

A Oh, definitely.

MR. WREN: Mr. Chairman, yesterday the witness for the contractors was very clear in stating the fact that the majority of these contracts were cost-plus contracts, therefore, the continuity of the bond would not give any great concern.

If that situation is going to be changed -- as it should be -- I think we certainly will have to make some changes in the bonds.

THE CHAIRMAN: That brings us to the question of the form of the bond. I think we should hear the representative from the Bonding Companies.

MR. JANES: That is very important.

MR. COLLINGS: But, at the same time, we should put something in motion to see that a proper bond is brought before either us, or the Department.

MR. BECKETT, Q.C.: I think we should hear from the Bonding Companies' representative first.

THE CHAIRMAN: Then we will be in a better

position to pass on it.

HON. MR. PORTER: A much better position.

BY THE CHAIRMAN:

Q Mr. Zoller, you are going to get us some contracts in regard to the Atikokan highway, and one of the Marathon?

A Those are the two I have here.

MR. WREN: We still do not have a list of all the contracts.

THE CHAIRMAN: I think you took the responsibility for the list we handed out yesterday.

MR. CLARKE: Is it here, Mr. Chairman?

MR. COLLINGS: Could we ask to have produced the amount of money which has been spent on over-runs on these two contracts awarded to the Fort York up to the moment, and an estimate of the amount of money required to finish the job?

BY THE CHAIRMAN:

Q Mr. Zoller, can you get that for us?

A I will attend to it, and will have it here after luncheon.

THE CHAIRMAN: Perhaps we might get another matter cleared up with Mr. Clarke.

---- The witness temporarily retired.

W. A. C L A R K E,

Chief Engineer, Department of Highways, previously heard and now recalled, and who having been already sworn, continues his testimony as follows:

BY THE CHAIRMAN:

Q Will you just carry on, Mr. Clarke?

A On the Atikokan-Shebandowan highway, on October 29th, there were seven contracts called. They were closed on November 14th.

BY MR. BECKETT, Q.C.:

Q That was last year?

A Nineteen fifty-one, sir.

On November 29th, Contract 51-71 was awarded to the McFarlane Construction Company.

On September 21st --

BY MR. WREN:

Q What is the amount?

A I have not the amount. Mr. Zoller will have to get that.

Now, Contract 51-72 was not awarded. These are in sequence, numbers 71 to 77.

On November 21st, the Fort York Construction Company was awarded Contract 51-73.

On November 21st, Contract 51-74 was awarded to the Fort York Construction.

51-75 is not awarded.

Contract 51-76 was awarded, on November 16th, to the Howard Construction.

Contract 51-77 was not awarded.

Then, following that up, on December 7th, 1951, the remaining three jobs were called for clearing, and they were closed December 17th, and awarded on December 19th.

In 1952, Contracts numbered 52-34, 52-35, 52-31, 52-33, 52-32, 52-36, were called for grading, on May 31st, 1952, and were closed June 25th.

They were awarded on June 25th to Hartnell, Hewitson, and C. A. Pitts.

BY THE CHAIRMAN:

Q Contract 52-34, to whom?

A Hartnell; Contract 52-35 to Hewitson, and Contract 52-36 to C. A. Pitts.

MR. COLLINGS: This sheet (indicating) says there was no bid on them. What does that mean?

BY MR. WREN:

Q What does this mean (indicating), "not awarded"?

A That the contractor who bid those jobs was not awarded.

Q Were these other jobs bid by the Fort York Company?

A I believe they were.

THE CHAIRMAN: I think that was the way it was put.

BY MR. COLLINGS:

Q I want to get clear what this sheet means (indicating). It was not awarded, and there is an amount of money set out beside it. The Fort York bid on this, but were not awarded?

A That is right.

BY MR. OLIVER:

Q The three of them? The three of them were not awarded?

A They were called at a later date.

BY MR. BECKETT, Q.C.:

Q They have been awarded since?

A That is right.

BY THE CHAIRMAN:

Q You have some further information on that?

A That was all that was asked for, apparently.

There was a question asked -- in a wire received from you, Mr. Chairman -- concerning the time of survey parties in the field.

Q The point was that one member of the Committee wanted to get some idea of how much time was spent on the pre-engineering as we were on the spot, as we were going

along. It was not given to us. I asked for it in Fort William. Have you got it now?

A Yes.

Question 1, "When/^{the}location survey field party commenced work on location?".

The answer is, October 1st, 1951.

Are these the questions you asked?

THE CHAIRMAN: Is everybody clear on this? We wanted some idea of the amount of work done on these contracts.

BY THE CHAIRMAN:

Q You are referring to Contract Number --

A The first contracts, that is, numbers 51-71 and 51-72.

BY MR. BECKETT, Q.C.:

Q I was not clear on that date of "October 1st, 1951". Would you explain that?

A When the location survey field party commenced work was on October 1st, 1951.

Now, Question 2 --

BY THE CHAIRMAN:

Q The way the questions came down to you, they were numbered "1", "2", and "3"?

A That is right.

Q That is what you are answering now?

A Yes.

The second question was, "How many parties were working on surveys?".

The answer is there were four parties for two and one-half months, and two parties for three months. The date the contracts were advertised was October 29th.

Q Nineteen fifty-one?

A Right. The date the contracts were closed was November 14th.

Does that answer your question, Mr. Chairman?

BY MR. OLIVER:

Q So the survey engineering parties would be working while the contract was in progress?

A I would say so, yes.

BY MR. WREN:

Q So there was not much pre-engineering?

A We had six parties there. They did considerable work. I would say, "Yes", but it was not the best. We might have had more.

Q At the time the tenders were called, how much engineering work was actually done -- at that time?

A I cannot answer you, because I do not know. Mr. Fulton may be able to answer that.

BY MR. OLIVER:

Q You did not know at that time just where the road was going?

A No, that was before my jurisdiction.

BY THE CHAIRMAN:

Q You cannot say whether a contract for clearing had gone ahead of that?

A No.

BY MR. WREN:

Q Had any engineering been done when the tenders were called?

A Yes. For instance, on Bush's survey.

Q That was in 1926?

A Yes, and about 45 percent. of Bush's survey was used in the work.

MR. OLIVER: Thanks to Bush, there was something done.

BY MR. COLLINGS:

Q I suppose they could produce the engineer's plan for this highway?

A Yes.

Q It would be nice for the Committee to see just what pre-engineering was done. The plans are here in the Department?

A Yes. There probably is a great deal of

engineering done as the work progresses. After the contracts are let, there is always a great deal of engineering which has to be done.

Q But nothing upon which to base the price?

A No.

BY MR. WREN:

Q Would you say, when the tenders were called there was sufficient information to enable the contractors to come within a ten percent., or fifteen percent. margin of error in the estimates of quantity?

A If I knew what information was given to them, I could tell you. However, I do not know.

I would say if they had profiles, they could do proper estimates, and I think it was fairly well calculated.

BY MR. OLIVER:

Q Then the contractors did not use good judgment in estimating the quantities?

A I would say, "Yes". I suppose we should not get into this discussion of yesterday, but I cannot help but think of Mr. Storm and the Ontario Roadbuilders' Association's remarks.

It seems to me we are now doing something which they have already done, and we are giving them more time to look over the jobs.

My advice to these contractors is that they give this sufficient time, too.

MR. JANES: I think Mr. Storm said he would go over one location in about half an hour, and then go on to another.

THE WITNESS: In the last year and a half I think we have made excellent progress, and our contracts are in good shape.

We are giving contractors more time to look at these jobs, and I hope they take the time.

BY THE CHAIRMAN:

Q I take it, Mr. Clarke, you are whole-heartedly in agreement with the pre-engineering procedures which have been mentioned in the evidence already -- as to the sufficiency of them?

A Yes I am, and every engineer is very happy to have things in order. But there is the practical side which we have to consider.

BY MR. OLIVER:

Q In 1951, there was real, weighty consideration, which called for real speed in getting these contracts going?

A Yes.

Q There was an election, as I recall it, in November, 1951.

A I do not know anything about that.

MR. OLIVER: I thought that was what you had reference to.

HON. MR. PORTER: As a matter of fact, it has been going faster ever since.

MR. OLIVER: A little more pre-engineering.

THE WITNESS: I will say that a year from to-day at this time, everything will be in good shape. I think we have to be realistic about this. If we were to say everything has to be 100 percent., today, we would not be calling any work. We are concentrating on the tenders for quantities on which the money is paid.

By and large, our engineers, under a very heavy strain, are doing a good job today.

BY THE CHAIRMAN:

Q You have to make what you might call "progression" gradually?

A Quite. There is the transition period.

BY MR. JANES:

Q Would it have been possible to build the highways you have, and keep the people of Ontario happy, if you had waited until you had sufficient engineers to do all this engineering?

A No, sir. It could not have been done.

In addition to that, while this is only my

opinion -- the Department had to make a decision either to stop working entirely, or wait a year or eighteen months and do no work, in which case you would never catch up, and we did the best we could to meet the demands.

Q Another question, Mr. Clarke: Is it your opinion, as Chief Engineer of the Department of Highways now, that there has been a good job done on the highways in Ontario?

A I think it is better.

MR. OLIVER: That is an obvious answer.

BY MR. WREN:

Q It has been said, in regard to similar types, they have been building roads elsewhere just as cheaply as we were?

I do not think the question Mr. Janes has just asked is relevant.

MR. JANES: I asked him for his opinion. He is a competent engineer.

BY MR. JANES:

Q Also, Mr. Clarke, I think we got the information somewhere that the hot mix in Michigan was costing about \$8.00 per ton.

A I do not know about that.

Q What does it cost here?

A It varies from \$2.90 as the low, to \$4.25.

That \$8.00 may or not include materials.

For our purposes we have to add another \$1.50 per ton for shovels, and also a certain type of stone we supply.

BY MR. JANES:

Q At, what per ton?

A \$2.00, in some cases.

Q That would be an outside price of \$5.00 or \$6.00?

A Yes.

Q In your opinion, has the Department of Highways done a good job in spending the taxpayers' money?

A I think the engineers have done a good job, yes.

THE CHAIRMAN: I think it is a fair shatement -- particularly by those who travelled the complete route we took a short while ago -- to say that during the thousands of miles we travelled, involving all these roads, there were really no serious complaints about the roads, nor the condition in which they were. I think that is a perfectly fair statement to make.

The roads were good, but the speed at which these cars and buses travelled over some of these supposedly bad roads, convinces me the Safety Committee should look into it.

As a matter of fact, as we were travelling around the /country, and I think our friends who were on the buses will agree that the roads, by and large, for the purpose for which they were built, are good roads.

I think that is a fair statement.

MR. WREN: No question about that. But the people were told when they were built, that they were to cost \$50,000. per mile, and they cost anywhere from \$60,000. to \$70,000. per mile.

THE CHAIRMAN: I was only speaking about the condition of the roads.

HON. MR. PORTER: I doubt very much if the people have lost anything because of that.

MR. JANES: Of course, they were all asking for new roads. You will see up North the greatest investment this Province has ever had.

HON. MR. PORTER: They have cashed in on it to a marked extent, all right.

THE CHAIRMAN: This might be a good time for a ten minute recess. And then we can sit until 1:00 o'clock, and adjourn to sit again at 2:30.

---- Whereupon a short recess was had.

---- Upon resuming.

THE CHAIRMAN: Gentlemen, let us resume, please. Before we resume the testimony, I would like to have the Secretary read the letter he has just received.

MR. JOHNSON (Secretary): This is a letter from Mrs. Freda Gemmell, and reads as follows:

"Dear Mr. Johnson:

"Please convey to Mr. Kelso Roberts, and members of the Select Committee on Highways, accompanying members of the press, and Highway officials, my sincere appreciation for their very kind message of sympathy, on the sudden passing of my dear husband.

Yours very sincerely,

(signed) Freda Gemmell."

THE CHAIRMAN: Mr. Clarke, will you resume, please.

THE WITNESS: This (indicating) is the wire which Mr. Elson received.

BY MR. OLIVER:

Q How many did he receive?

A I do not know. It says:

"Select Committee, estimate final quantities, contract 51-76, and expense of over-runs."

Now, this contract has been checked for final quantities by the Engineering Audit Branch, and the tender quantities as I will read to you here.

For 10.5 miles of main line the final quantities, including 10.5 miles of main line, plus $2\frac{1}{2}$ miles of access road, which was constructed after the contract had been let, which is approximately 13 miles which was constructed --

Q Was the amount expended on the additional shown here (indicating)?

A The quantities are shown here (indicating), Mr. Oliver.

Now then, the expense for the difference in quantities:

(1) Not estimated, due to lack of sufficient time for preparation.

(2) The original tender did not include $2\frac{1}{2}$ miles of access road.

(3) Heavy swamp areas were encountered than were originally anticipated.

This contract is considered the heaviest of all Atikokan contracts.

Here are the quantities:

"Clearing" - this is the tender I will read first, then the final -- 195 acres; final 292.

"Grubbing", 195; final 26.

"Close cutting", 5 miles; final 10.96;

"Earth excavation" 200,000 yards; final 598,000 yards.

"Rock excavation", 200,000 yards; final 188,593 yards.

I might point out here that these excavations is a classification which has to be reconsidered again. It does not include classification.

Q What classification was given on this contract?

A I cannot tell you that right here.

MR. OLIVER: We should certainly have that, Mr. Chairman, to get the complete picture.

THE WITNESS: What classification was given in respect to this contract?

BY THE CHAIRMAN:

Q Was any classification done?

A No; we have not paid for any classification.

BY MR. OLIVER:

Q Was classification done?

A Yes.

BY THE CHAIRMAN:

Q Who would have done it?

A Probably the Construction Engineer.

BY MR. OLIVER:

Q In Toronto, that is?

A Yes.

Q That was done in addition?

A No. He would probably concur in it, or advise regarding it.

Q It was done by the Construction Engineer here?

A Yes.

BY MR. COLLINGS:

Q It was done on Trans-Canada specifications?

A No, not on the Atikokan road.

Q Is this Trans-Canada?

A No, the Atikokan.

Q Then, why could you not be closer to clearing than you were? What was the clearing, again?

A 195 acres, against 292.

Q You could not be that far out in the survey.

BY MR. OLIVER:

Q You did not say how wide it was?

A The width may vary.

BY MR. MAPLEDORAM:

Q Does that "292 acres" include the access road?

A That would include the access road, yes.

Q That would account for a considerable difference?

A Yes. The earth excavation; culverts, 5,500,

and it was 3,700 final. It was less in this case.

BY MR. WREN:

Q Is that in dollars?

A No, this is in yards.

"Rock excavation; culverts, 1,500; final 1,400.

"Granular base (b) 70,000 yards; the final
quantity was 70,000.

"Five (a) crushed gravel, 20,000; final 20,096.

The other items are all small. If you wish
them, I can give them.

BY MR. OLIVER:

Q What about the totals?

A In dollars and cents?

Q Yes.

A We do not have that. I think Mr. Zoller has
that.

Q Have you the unit prices?

A We could get them for you. We have them.

BY THE CHAIRMAN:

Q I think the unit price --

A I think it was around \$1.90 per yard.

MR. OLIVER: I think we should have them.

THE CHAIRMAN: Yes.

MR. OLIVER: And certainly the classifica-
tions.

BY MR. MAPLEDORAM:

Q The classification was done but not paid for?

A That is right.

BY MR. JANES:

Q Not decided yet?

A That is right.

BY MR. OLIVER:

Q The classification was decided?

A Oh, no.

BY THE CHAIRMAN:

Q You said the Construction Engineer had made the classification --

A When this investigation came about, it had all to be re-measured, and so on, and the classification was all cancelled until the final measurements would be made, because it would not apply.

Q It was a general principle to apply to them all?

A Yes.

BY MR. MAPLEDORAM:

Q All the Steep Rock road would be included in that?

A Yes.

BY MR. OLIVER:

Q There was to be no more classification after that?

A No. It was to be reconsidered after the re-measuring was properly checked.

Q Up to that time there had been classification?

A Yes.

Q Can you tell us what it was, up to that time?

A No. It is a variable amount; ten percent here, and fifteen percent there.

BY MR. MAPLEDORAM:

Q The important thing is you paid it during the progress of the work? Were they paid for classification then?

A I think some of it was, sir. As I recall it, I think some of it was. But, because there was some doubt in the actual bid and quotes, it was thought advisable to cut off classification, and re-classify it when the final figures were drawn up.

As a matter of fact, men are going up to re-classify this job.

BY MR. OLIVER:

Q I do not see how you could cut out all classification. I think Mr. Mapledoram's question leads up to this; if there was classification in the earlier part of the contract, it would be paid in the early estimates?

A I think some of it was paid, sir.

BY MR. WREN:

Q Who did that classification?

A I think it would be in concurrence with one of our Construction Engineers who would finish the job.

Q He would make the final decision?

A I think so.

Q But before the final payment?

A Yes. Sometimes it has to be left there for a matter of months, until he could get up and visit it.

Q Are the payments made for each month?

A Yes.

BY THE CHAIRMAN:

Q It was a final payment?

A Yes.

Q Installment payments were going on?

A Yes.

BY MR. COLLINGS:

Q It would be simply a bulk amount, if they were not using the classification?

A Yes.

BY MR. JANES:

Q You mentioned something about the Bush survey, and you used "45 percent", what was that?

A I think Mr. Fulton can explain that. I do not have much knowledge as to the actual location and

surveys. He knows the actual percentages, and how he was able to utilize the previous survey.

Q Was this Bush survey made by a former engineering firm?

A I do not know that.

Q I think it would be interesting for the Committee to know that.

A I think Mr. Fulton can tell you about that.

BY MR. COLLINGS:

Q You are the Chief Engineer in the Department?

A At the present time, yes.

MR. OLIVER: You never know from day to day.

BY MR. COLLINGS:

Q Could you explain what steps have been taken in the Department to prevent any of the abuses which have grown up in the past?

A Number One, which I think is a very common thing, is the Engineering Audit, which is the same as any ordinary audit.

These Engineering Auditors were parties who went into the field without prior notice to make certain engineering checks, to ensure that the work is in the proper shape.

There has also been, in the last eighteen months, a very much more detailed estimate form, on which

five signature must appear now. There is very rigid control of money, which was instituted in 1952, some time.

By and large, I think they have that situation under control, and in good shape.

BY MR. MAPLEDORAM:

Q Mr. Clarke, following that statement; we have had quite a discussion in the Fort William Division as to whether the decentralization of auditing would be a good thing for the Department.

I am quite an advocate, I might say frankly, of a Divisional Auditor, or somebody in that capacity, in each Division, who would be working on the same basis as the Municipal Auditors are carrying on in the municipal road system. I think the municipal audit system is one hundred percent fool proof, and I think something should be done along that line toward decentralizing the audit system, and have it carried on in the Division. I think that would cut down to a great extent anything which might go wrong.

A I think you are right. That is an accountancy problem with which I am not familiar, but it sounds reasonable.

BY MR. JANES:

Q It was our thought there should be a representative of each Department in each Division, to do the

auditing and report.

A I am not an auditor.

BY MR. MAPLEDORAM:

Q The point is, Mr. Clarke, it is our experience with the Municipal Roads Branch, that their Auditor is right on the job, travelling around in the municipalities, checking on every bit of money the Department spends in each municipality. It is a big job because one auditor covers a big district with perhaps a dozen municipalities. He even knows where the last piece of jack pine goes in a culvert.

A I think that is something perhaps Mr. Zoller should explain. You mean auditors outside the Division?

Q No, I mean auditors working right in the Division, and making their reports to Toronto. In other words, decentralize your auditing department and have somebody in there with his finger on it all the time, and not just come in occasionally, particularly where you have construction work going on.

THE CHAIRMAN: Particularly when you are up in the North Country.

MR. MAPLEDORAM: Yes, particularly in the North Country.

MR. GORDON: I completely disagree with

Mr. Mapledoram. I think in regard to the two things, the municipal audit and the divisional audit, the audit should always be carried out from a level above the one on which they are working. I think any audit in a northern division should be definitely under Mr. Zoller.

MR. MAPLEDORAM: I am not complaining about who does it, but a close contact with what is going on, is the important thing.

MR. GORDON: I think if you send an auditor up there, he does not get too close to the people. I think it is very easy, when you are working with people all the time, not to have the same view of things, as if you came in from outside to check up.

MR. WREN: I do not agree with that at all. We have had a Municipal Auditor up there for a long time, and he is certainly not friendly --

MR. GORDON: I am speaking of the Auditor from the Department auditing the Division. He is working at one level.

HON. MR. PORTER: An auditor is a man who should have no friends.

MR. GORDON: That is right.

MR. MAPLEDORAM: Our Municipal Auditor has no friends; I am sure of that.

MR. COLLINGS: Would it be fair to ask a

question in regard to the brief by the Constructors' Association?

THE CHAIRMAN: We left that over until after luncheon. I would rather leave it there if we could, because that is what we decided.

MR. WREN: I would like to ask a question about the engineering on the Atikokan road. There has been mention made that we were short of engineers in the last few years. I do not think it is confined to engineers, but to all professional people.

BY MR. WREN:

Q Do you not think the United States was just as short of engineers as Ontario?

A Yes. By and large, I think they have the same problem.

MR. WREN: We did not find that. I think you will find they carried on a greater volume of highways work in proportion, and I do not think they ever got into as big a "mess" as we have.

BY MR. COLLINGS:

Q In Albany we were told they had 2,000 engineers in their department; they have 200 in each division. Have you anything like that?

A Oh, no.

HON. MR. PORTER: They were not all full-fledged engineers.

MR. MAPLEDORAM: In New York State they are dealing with the Department of Public Works, and their work is not all confined to highways.

MR. WREN: I would like to see some evidence that one or several States of the Union have got into difficulties like this, due to the fact that they were short of engineers. I do not think we will find it.

HON. MR. PORTER: We found in the United States that their road programme last year was \$106 million. That is with a population of -- what? Thirty million?

MR. JANES: Fifteen million.

MR. WREN: I know, in regard to population, the State of Michigan is away ahead of us.

THE CHAIRMAN: We have to have all the information about it.

MR. WREN: I think we should get it from a group in the United States.

BY THE CHAIRMAN:

Q You have given us the details on the Harvey contract?

A Yes.

Q And you are going to get for us the unit prices?

A Yes.

Q Could that be obtained in the matter of a few minutes?

A Yes.

MR. OLIVER: And how much of this over-run could be charged against this $2\frac{1}{2}$ miles of access road. That information should be available quite easily, I think.

BY THE CHAIRMAN:

Q Can that be obtained quite readily?

A Not "quite readily". I think we would have to go through the files. I could get the unit price in a matter of minutes, but I would have to find out about the access road.

THE CHAIRMAN: If Mr. Oliver wants it that badly --

MR. OLIVER: I think we should have it.

BY MR. MAPLEDORAM:

Q The cost of the access road would give you that?

A Yes.

BY MR. COLLINGS:

Q You referred to several factors?

A Yes, the lack of sufficient time for properly surveying swamp areas which were encountered, and which were not originally anticipated and which were not considered in the surveys of all the Atikokan contracts.

I believe these access roads were built to the

same standard as the main line.

MR. MAPLEDORAM: That is my opinion. It required large, heavy equipment there.

MR. JAMES: After Mr. Clarke finishes, could we have some explanation of this engineering survey made by a man named Bush, six or seven years ago? We have used "45 percent." in these estimates. I think it would be interesting for the Committee to know something about that.

THE WITNESS: I think Mr. Fulton, the Chief Surveyor, can give that to you.

BY THE CHAIRMAN:

Q Would you go to the other part of the road, the Marathon-Terrace Bay road?

A I think Mr. Zoller has that information.

MR. OLIVER: Is this the contract where some building was burned, which contained the books and records of the Harvey Construction Company, particularly relating to that job?

THE WITNESS: I am not sure of that, sir. There was a rumour to that effect. I am not even sure it is a fact.

BY MR. OLIVER:

Q You do not even know whether they were burned?

A No.

Q Do you think that could be determined very soon, whether they are gone or whether we can get them?

A I would think we could get in touch with the contractor and ask him.

MR. OLIVER: Could we find that out, Mr. Chairman?

THE WITNESS: You wanted an enquiry made about the original tenders on Contract 49-36?

BY THE CHAIRMAN:

Q That was the Wolfe Construction Limited contract?

A This (indicating) is 49-36, Marathon westerly.

The original tender called for the clearing of 83 acres, grubbing 83 acres, earth excavation 125,000 yards, rock excavation 100,000 yards, earth excavation for culverts, 320 yards, rock excavation for culverts 50 yards; concrete culverts, 300 yards.

Those are the major items. The rest was 18 inch and 24 inch pipe, and so forth.

BY MR. COLLINGS:

Q What was the earth excavation?

A 125,000 yards.

BY THE CHAIRMAN:

Q And 100,000 yards for rock?

A Yes.

MR. COLLINGS: That is the estimate of

\$291,935.00.

THE CHAIRMAN: What is being asked for now is the additional.

MR. COLLINGS: The earth, up to 1953, had risen to 339,000 yards, and the rock had gone from 100,000 to 259,000 yards.

Mr. Chairman, here might be the place where we could get some definite information from the Chief Engineer. I understand the first estimate was on the Ontario road's specifications, and it was transferred to the Trans-Canada specifications. That is, as I understand it, Mr. Clarke's opinion on this particular contract, yet he cannot tell us what percentages would be the excess cost for widening -- for instance, the road was 30 feet, and it has gone up to 38 feet --

THE CHAIRMAN: Mr. Tregaskes is in the room. He was the engineer in charge of construction on the Trans-Canada part.

THE WITNESS: Yes. He probably could give an answer better than I can.

BY THE CHAIRMAN:

Q Would you like him to give that information now?

A Yes, I would.

--- The witness temporarily retired.

H A R R Y O L I V E R T R E G A S K E S,

Engineer, Trans-Canada Highway, a witness appearing before the Committee, and being duly sworn, testifies as follows:

THE WITNESS: Your question is, has the pressure of work down here forced a change in plans?

BY MR. COLLINGS:

Q Mr. Tregaskes, in this contract, 49-36, it was advertised in 1949, and let on June 2nd. The expiry date was November 30th, 1949, but it was still in progress in 1953.

Can you give us any information as to why it lingered along, there?

A The Wolfe Construction Company had three contracts from Marathon to the Little Pic River, and it was Wolfe's plan to do the final crushed gravel at the end of the three jobs, at the end of the grading. That is why the 49-36 contract extended for such a long time.

Q I notice on April 30th, 1950, considerably more rock was taken out -- no, I am sorry. On April 30th, 1950, the total cost expended on that contract had risen to \$372,000., whereas the original estimate was \$291,000., and there was no Trans-Canada o.k. on it up to that time.

You know the progress certificates?

A Yes.

Q They had no o.k. on them? They had spent considerably more than the tender. Would that be still under Ontario Highways specifications?

A Yes, that is right. The road at that time was being built to a class "C" standard of 30 feet, with shoulders.

Q Then the contract had risen to that amount of \$372,000., from \$291,000. with no change in the specifications? Then you have told us the reason for the delay. Could you tell us what percentage of the work at that time would be completed on the first contract?

A I believe it was approximately 75 percent. to 80 percent. at that time.

Q That is just on the one contract, of course?

A Yes.

Q They had three?

A Yes.

Q Could you tell us, in your opinion, what would be the additional cost over Ontario specifications, when changed to Trans-Canada specifications on this particular contract -- in percentages?

A That would be quite difficult to estimate,

unless we have some cross-sections before us.

The original standard of the road was class "C", calling for the 30-foot type. The Trans-Canada specification is 38 feet. The extra width would be 8 feet, and to arrive at an estimate, we would have to have some cross-sections before us.

Q Would there be any waste money spent on that highway by having to change to Trans-Canada specifications?

A I do not think there was any waste money. It was all used to widen out the road.

Q Could you say there would be a 100 percent increase?

BY THE CHAIRMAN:

Q I think, Mr. Tregaskes, you gave us an estimate of the increase when you were on the Sudbury-Sault Ste. Marie trip, in regard to certain parts, as we were passing over them.

I think Mr. Collings is thinking in the same terms. If you can visualize this particular area, as you have been on it, could you give us in round figures what you would expect the Trans-Canada specifications would increase that over-all cost?

A I would estimate from 25 to 30 percent.

MR. COLLINGS: That is what I think the

Committee asked Mr. McEwen when he said "35 percent". It would be fair to say that the estimate of \$291,000., was increased about 25 percent.

THE WITNESS: To raise the road to Trans-Canada specifications? Oh, I would not look for all that over-run. The over-run was caused by a combination of reasons.

BY THE CHAIRMAN:

Q There might be other reasons than the Trans-Canada which caused the over-runs?

A It was not on Trans-Canada alone. There were other factors.

MR. OLIVER: The very figure my friend, Mr. Collings, gave us a few minutes ago is indicative of that.

With an 80 percent completion of that contract, without conforming to the Trans-Canada specifications, you had already over-spent the contract by \$100,000. -- without using the Trans-Canada standards at all, so there were evidently other factors.

BY MR. COLLINGS:

Q Now, going further on into 1952 and 1953, I find in the last certificate "37,000 cubic yards of earth and 20,000 cubic yards of rock", between September, 1952, and 1953?

A As I recall, there were some very bad storms up

in that section of the country, which caused trouble in the sandy section of the contract, which had to be repaired and required an additional quantity of earth excavation, and there was some very serious sliding in some of the fills.

BY MR. OLIVER:

Q That is in the contract?

A Yes.

BY MR. COLLINGS:

Q We find delays are very costly. They run the costs up considerably. But that would be overcome somewhat, if we were to stick more rigidly to a completion date.

A Very likely that is so. The contract must be finished, and the cost of repairing, say, the flooded sections of the road would not be charged to the contract.

The Department then would have to pay the cost of such repairs.

Q Who does pay the cost, where a contractor has three jobs, and is able to work along with the whole three, but really not able to complete one by any particular time?

THE CHAIRMAN: You are referring to the three contracts along this road, one following the

other, for a distance of approximately 18 miles, by one contractor?

MR. COLLINGS: Yes.

THE CHAIRMAN: From a little east of Marathon, to a little west of Middleton.

BY MR. COLLINGS:

Q Had three contractors secured those jobs, they would have been completed earlier?

A Yes.

MR. CLARKE: There was one point in connection with the completion of that work up North, I would like to mention.

As I recall, the work was commenced in 1950 or 1949, and just got nicely under way when the Korean war commenced, which curtailed our supply of materials, and, as I recall, -- I would have to be checked on that -- I think the Trans-Canada Authority told us that -- well, they gave us the impression they were not too anxious to push this, at that time.

BY MR. OLIVER:

Q You mean you wanted to go ahead, and they held you back? Is that what you are saying?

A I do not think they left it to us. Let us put it that way. We were pushing for materials, cement and other critical materials, and they were

becoming increasingly hard to secure. I think the impression was given somewhere along the line that the work was not nearly as important, as it really was.

BY MR. COLLINGS:

Q On this (indicating) I notice that it worked along until April 30th, 1950. Then the next certificate did not come out until August, 1950, so there was a delay there of three or four months?

A Yes.

Q Is the final certificate on this contract in as yet?

A We have the final figures here.

Q What are they?

A I think Mr. Clarke could give those to you better than I can.

---- The witness temporarily retired.

- - - -

MR. COLLINGS: What was the amount in dollars and cents?

MR. CLARKE: \$492,000.

THE CHAIRMAN:

What was the original estimate?

MR. COLLINGS: What I saw in Fort William was \$726,940.

MR. ZOLLER: These (indicating) are the final figures, now checked at \$492,000.

MR. COLLINGS: In September, 1951, they had risen to \$629,000.

THE CHAIRMAN: I wonder if we had better not check that figure again.

MR. ZOLLER: No, I think that figure is correct.

MR. COLLINGS: I took it from the blue sheets you have.

MR. ZOLLER: They are copies of the payment certificates which went through.

MR. COLLINGS: And I put the figure down at the time.

MR. ZOLLER: These (indicating) are now the final figures.

THE CHAIRMAN: Is it not cut down considerably, from, in round figures, \$700,000. to \$400,000.?

MR. ZOLLER: Yes.

MR. OLIVER: How could you cut it down?

MR. ZOLLER: We took the final figures.

MR. OLIVER: And it amounted to \$320,000?

MR. COLLINGS: How will you get the money back?

MR. ZOLLER: We will not get the money back.

THE CHAIRMAN: The Wolfe Company may owe some money to the Department?

MR. ZOLLER: Yes.

THE CHAIRMAN: That is purely a civil matter.

MR. ZOLLER: Yes.

MR. OLIVER: Would you submit the higher figure, under the Trans-Canada specifications?

MR. ZOLLER: Yes.

MR. OLIVER: What happened, as far as the Federal Government is concerned?

MR. ZOLLER: There is nothing done until the final figures are given to the Federal Government.

MR. OLIVER: You charged them more than you should have done?

MR. ZOLLER: Yes.

MR. WREN: What was the last total you submitted to the Federal authorities on that job?

MR. ZOLLER: There has been nothing submitted at all. We found out there was something wrong.

MR. COLLINGS: You indicated these people were not bankrupt.

MR. ZOLLER: I intimated they did not go into bankruptcy.

MR. WREN: What was submitted, finally?

MR. ZOLLER: I cannot tell you from the information here (indicating) what the last figure submitted was.

THE CHAIRMAN: Would you be calling on the Bonding Company to repay to the Department the money they overpaid the contractors?

MR. ZOLLER: That again is where we have to get legal advice.

MR. WREN: You mean to say you overpaid them \$300,000., or \$400,000.?

MR. ZOLLER: It is not quite so much, when the Federal Government comes into the picture.

MR. COLLINGS: According to the figures I picked up in Fort William, they had been paid that.

MR. ZOLLER: That is right.

MR. OLIVER: Then they had been overpaid some \$300,000.?

MR. ZOLLER: No. It is actually \$192,000.

THE CHAIRMAN: \$192,000. more than your figures show they were entitled to.

MR. OLIVER: Your figures is what?

MR. ZOLLER: \$492,000, which might include

the copy of the certificate, which included the hold-back.

MR. OLIVER: How did you reduce this claim by that amount? On what ground did you reduce it to the amount you have mentioned, \$192,000.?

MR. ZOLLER: There, again, I think possibly the Engineering Branch can explain. You take your original cross sections to start with, and the final cross sections --

MR. WREN: Does that figure of \$192,000, include the material you supplied?

MR. ZOLLER: No; payments to contractors.

MR. WREN: I was led to believe that up to December, 1952, to be specific, this company had been paid \$776,549.19.

MR. ZOLLER: Up to December?

MR. WREN: December, 1952. What did you report to Ottawa up to December 15th, 1952?

MR. ZOLLER: I cannot tell you until I get the statement submitted to Ottawa. I cannot tell you until I get it.

MR. OLIVER: You should have a duplicate.

MR. ZOLLER: Yes. But I do not know whether it is an exact figure I have here (indicating), as shown on November 30th, 1952, which went to Ottawa by December

31st, 1952. It might be the extra statement. I do not know.

MR. COLLINGS: On the original estimate, the two items of earth and rock amount to \$238,250, and in the final papers, they had been paid \$625,000.

THE CHAIRMAN: Earth and rock?

MR. COLLINGS: Yes, for removing earth and rock. There is an increase of almost \$400,000, there.

THE CHAIRMAN: I will ask you this question, but do not answer it if you think there is any question involved as to privilege or protection. Who made the classification of these two contracts?

MR. ZOLLER: I cannot tell you that.

MR. OLIVER: Would it be the Head Office?

MR. CLARKE: Mr. Tregaskes has just said there was no classification on that job.

MR. OLIVER: There was no classification on that job?

MR. COLLINGS: No, it was paid either \$1.50 or \$1.95 for rock.

MR. WREN: But surely this over-run will now be recoverable?

MR. CLARKE: I do not know.

MR. WREN: Does anybody in the Department know?

MR. ZOLLER: Are we here to discuss this question?

THE CHAIRMAN: If there is nobody involved in a criminal trial.

MR. ZOLLER: There may be some civil suit.

THE CHAIRMAN: I do not think a civil suit will have any privilege.

MR. ZOLLER: There may be somebody involved in a criminal trial, just the same.

THE CHAIRMAN: It is a rather simple question at the moment. Who would be the parties responsible for the passing of these quantities which resulted in an over-payment?

MR. ZOLLER: The Division Engineer.

MR. WREN: The Chief Engineer said Head Office approves all these commitments in the field.

MR. ZOLLER: He was talking about classifications.

THE CHAIRMAN: I will follow that up for a moment.

Mr. Clarke, could the Division Engineer have gone merrily along increasing over-runs, and allowing them -- and all the rest of them -- without the Head Office having any say in the matter?

MR. CLARKE: They might have the say, but

unless they took the time and had the time to thoroughly scrutinize the estimates which come in, they probably would not notice them.

THE CHAIRMAN: It would not take much time to take a look at the figures in front of you, and notice they had been increased? That would not involve very much time.

MR. WREN: Mr. Chairman, there is one point in line with your question. There is one thing about which I am concerned. Mr. Zoller, do you have one set of records here in Toronto, and another set of records in Fort William? We are told --

MR. COLLINGS: They are not disputing that.

MR. WREN: He has not produced a copy.

MR. ZOLLER: What do you want?

MR. WREN: I want to see a copy of all the payment certificates on file in the Fort William office.

MR. COLLINGS: They are there. To clear this up, could the officials give us the Department's original estimate on this job?

MR. WREN: Why do not these figures agree?

MR. COLLINGS: They do.

MR. WREN: They do not.

THE CHAIRMAN: Mr. Collings has asked for the Department's original estimate on this job.

MR. ZOLLER: There was no estimate. There was no extension of prices.

MR. COLLINGS: You did not extend the prices?

MR. ZOLLER: No.

MR. COLLINGS: So Head Office did not know what this was going to cost?

MR. ZOLLER: They knew what was to be moved.

MR. COLLINGS: Did not anybody in the Department become concerned when they started to go from 100,000 cubic yards of rock to 250,000 cubic yards, or from 125,000 cubic yards of earth to 339,000 cubic yards, and if somebody was concerned, to whom would they appeal?

MR. ZOLLER: The Engineering Branch will have to answer that question.

MR. CLARKE: I cannot answer that, because I was not the Chief Engineer at that time.

MR. WREN: Rather a "horse-and-buggy" method in these stream-lined days.

MR. CLARKE: I think you will have to start with this fact, that so much of the work was done so fast, and was so widespread, and we had so few people to check things.

In 1943, we had \$43 millions of work -- I am quoting from the records, as I recall them.

All of a sudden it went up to \$140 millions,

and we had only three or four men in Head Office to control all that.

MR. COLLINGS: Why would a contractor accept \$200,000. or \$300,000. more for work, which he knew he did not do?

MR. CLARKE: I do not know.

MR. COLLINGS: Why would a contractor accept \$200,000. or \$300,000. in excess of work he did not do, if he is doing other work all along?

MR. ZOLLER: That may be a dangerous question.

MR. WREN: Mr. Chairman, is it not true that the son of the head officer of this company died during this period?

MR. CLARKE: That is right.

MR. WREN: Maybe the hon. Minister can throw some light on this.

THE CHAIRMAN: Well, it is about lunch time. Shall we proceed any further this morning?

MR. ZOLLER: This (indicating) was a contract which was changed from class "A" to the Trans-Canada standard. That would be one reason why the Head Office officials would not be too concerned over the over-runs.

As Mr. Tregaskes said, it was changed from a 30-foot road to a 38-foot road, and just which handled the over-runs which took place, I cannot say.

The following table shows the results of the experiments conducted during the year 1885.

Table showing the results of the experiments conducted during the year 1885.

The first experiment was conducted on the 1st of January, 1885, and the results were as follows:

1. The first experiment was conducted on the 1st of January, 1885, and the results were as follows:

The second experiment was conducted on the 15th of January, 1885, and the results were as follows:

The third experiment was conducted on the 30th of January, 1885, and the results were as follows:

The fourth experiment was conducted on the 15th of February, 1885, and the results were as follows:

The fifth experiment was conducted on the 1st of March, 1885, and the results were as follows:

The sixth experiment was conducted on the 15th of March, 1885, and the results were as follows:

The seventh experiment was conducted on the 30th of March, 1885, and the results were as follows:

The eighth experiment was conducted on the 15th of April, 1885, and the results were as follows:

The ninth experiment was conducted on the 30th of April, 1885, and the results were as follows:

The tenth experiment was conducted on the 15th of May, 1885, and the results were as follows:

The eleventh experiment was conducted on the 30th of May, 1885, and the results were as follows:

The twelfth experiment was conducted on the 15th of June, 1885, and the results were as follows:

MR. COLLINGS: I would understand --

MR. ZOLLER: I would say this might be a reasonable excuse.

MR. OLIVER: Who gives approval for the over-runs, Mr. Clarke?

MR. CLARKE: At the present time -- Mr. Zoller has been in for $2\frac{1}{2}$ years. The Chief Engineer has authority to over-run ten percent. Between ten percent. and twenty-five percent., it must have the authority of the Deputy Minister, and over twenty-five percent, it must have the authority and signature of the Minister.

MR. OLIVER: Who approved this?

MR. CLARKE: That I cannot tell you.

THE CHAIRMAN: Will you find that out, please? What was the practice provided for supplemental payments being made? What was the practice as to authorizing over-runs?

MR. CLARKE: I do not know that I can find out. The men who were doing the work are not with us now.

THE CHAIRMAN: There is really nobody here who can tell you?

MR. ZOLLER: I will give you my idea from a financial standpoint, as far as looking after the control of money. The original contract --

MR. COLLINGS: For \$291,000.

MR. ZOLLER: That money would be set up in a contingent account of the contract. There would be no more money paid unless there was an approval signed by the Chief Engineer. These would come to the Chief Engineer, and be approved by him, and go on for additional money.

When I had the approval of this D-4, I would have more money.

THE CHAIRMAN: It had to be done in Head Office?

MR. ZOLLER: Yes, it had to be done in Head Office.

THE CHAIRMAN: The impression was given that the Division Engineer could do it "on his own".

MR. ZOLLER: If he told a good story --

MR. COLLINGS: It would have to be a good story to jump from \$291,000 --

THE CHAIRMAN: If there is nobody able to tell us, perhaps the hon. Minister can. If there is nobody in the Engineering Department to tell us, then this Committee is in a position which is not too satisfactory.

MR. WREN: The same old story.

MR. COLLINGS: Has Mr. Zoller any knowledge of similiar requests for repayment under the other two

contracts?

MR. ZOLLER: Oh, yes.

MR. OLIVER: The procedure is automatic.

If it is over twenty-five percent, the hon. Minister has to sign.

MR. CLARKE: That has been in effect for eighteen months.

MR. WREN: What was the practice at this time? Who signed what? Give the authority.

MR. CLARKE: I would say the Chief Engineer would give authority.

MR. WREN: He would have the entire authority, would he?

MR. CLARKE: If it was signed by them, I would say they would get further authorization.

MR. OLIVER: What amount of over-run could this individual sign for you, if he approved?

MR. CLARKE: I do not know.

MR. OLIVER: I thought you said that for eighteen months --

MR. CLARKE: We were speaking about eighteen months ago, when it was changed. I do not know whether they had this rule prior to eighteen months ago or not. Mr. Zoller might state that.

MR. OLIVER: How was it prior to that?

MR. ZOLLER: There was no special rule.

MR. OLIVER: Just a rule of thumb?

MR. WREN: You just drew a cheque?

MR. OLIVER: How do you hope to get back
this \$192,000.?

MR. ZOLLER: That is a very good question.
I do not know, at the moment.

MR. COLLINGS: Did I understand you to say
that the other two contracts are in the same position?

MR. ZOLLER: Yes.

MR. COLLINGS: So instead of getting back
\$192,000, it might be --

MR. ZOLLER: More.

MR. OLIVER: How much?

MR. ZOLLER: I cannot tell you, offhand. I
can get that information.

MR. OLIVER: We should definitely have that
information.

THE CHAIRMAN: Gentlemen, it is 1:00 o'clock.
I think we had better adjourn for luncheon, and resume
this afternoon at 2:30.

- - - -

---- Whereupon the further proceedings of this Committee
adjourned until this afternoon at 2:30 o'clock p.m.

- - - -

Mr. C.A.Robbins,	Chief Engineer of Maintenance, Department of Highways
Mr. J. L. Zoller,	Financial Comptroller, Department of Highways
Mr. H. A.Tregaskes,	Engineer, Trans-Canada Highway.
Mr. J. D. Millar,	Deputy Minister, Department of Public Works.
Mr. Duncan Gordon,	Management Consultant.
Mr. Don.McQuigge,	President, Ontario Road- builders' Association.
Mr. W. A. Storm,	Vice-President, Ontario Roadbuilders' Association.
Mr. Wm. Philpott,	General Manager, Ontario Roadbuilders' Association.

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THE CHAIRMAN: Gentlemen, we will resume this hearing, and for the convenience of anybody in connection with the matter, I think I am correct in saying that the hon. Minister of Highways would like a little more time to digest the contents of the Roadbuilders' brief, and he will be prepared to appear before the Committee tomorrow morning and deal with any matters he sees fit in relation to the brief.

MR. JANES: I will try to get some information on the bush survey. It may be of interest to the Committee, and I would like to have some information on it, myself.

THE CHAIRMAN: Mr. Tregaskes is here and we might clear with him now.

H. A. TREGASKES,

Engineer, Trans-Canada Highway, having been already heard, now recalled, and having been already sworn, continues his testimony as follows:

THE CHAIRMAN: I think Mr. Mapledoram would like to ask you one or two questions, Mr. Tregaskes.

BY MR. MAPLEDORAM:

Q I was very interested on our trip to Marathon in relation to the new highway down there and the bridge construction across the Little Pic river.

A Yes.

Q I understand you know something about the type of construction which was planned for that area, and some of the reasons why it has not been built?

The Committee, travelling over northern Ontario, was looking for the "missing bridge", because so much publicity had appeared in some of the newspapers, and the only place we thought it might be was down at the Little Pic river, inasmuch as you had constructed a highway, but no bridge.

We were given to understand by the engineer that this bridge was of a certain design. Is there

anything you want to tell us about that?

A Yes. At the present time, the bridge is in the hands of the Foundation Company of Canada, and they have been working on it for over four months. They found some quite difficult problems to overcome. I believe the work is on the draughting board now.

Q What are some of the reasons for the difficulties?

A First of all, the size. It will be a structure of approximately 700 feet in length, and will be on a 5 percent. grade, and I believe the highest part of the bridge will be approximately 150 feet above water-level. It is quite a good-sized structure.

Another point is this; on one side, the face of the rock is almost perpendicular; on the east side, there is a very bad silty clay condition, and it has taken some time to arrive at a proper foundation, for the east bank approach.

That is really where the worst troubles have been met.

BY MR. OLIVER:

Q Was it originally planned to build this bridge in conjunction with the highway?

A No, I do not think so, Mr. Oliver; due to the lack of staff, the Department Bridge Branch was not

able to start the designing of this bridge, and that is one reason why it was let out to a private constructing firm.

A temporary crossing was put in, in the winter of 1952-1953, and that has provided access east and west of the Little Pic river.

BY MR. MAPLEDORAM:

Q That is a very dangerous situation?

A Yes.

Q The terrain that detour goes through has given the Department a great deal of worry?

A Yes. On the east bank, it has been built on silt clay material, and the engineer up there has had continuous trouble getting it in proper shape.

Q Keeping it from sliding out from under him?

A Yes.

BY MR. OLIVER:

Q In normal circumstances, how long will it be before the bridge is completed?

A I cannot tell now whether it is 60 percent. or that much. Tenders will have to be called and the contract awarded.

I think a bridge of that size would take possibly a couple of years to build.

BY MR. MAPLEDORAM:

Q In that case, the money spent on the detour

would not be too badly wasted?

A I think that money is well spent, on that.

BY MR. JANES:

Q You are putting in a foundation and carrying it on the east side?

A Yes.

BY MR. MAPLEDORAM:

Q Mr. Tregaskes, is the bridge over the Steel River under design?

A Yes sir. That is by the Foundation Company of Canada, also.

Q Is there any other major problem there?

A It is a good-sized structure, and will be approximately on a three and one-half percent. grade from the east side to the west side, and will be in the neighborhood of 300 feet in length, and is quite high above the water.

BY MR. OLIVER:

Q How many other bridges are there being let out?

A There are several, Mr. Oliver. One near Sudbury is let out to a private firm, and the Copper Cliff overhead has been designed.

Then another overhead has been let out.

BY THE CHAIRMAN:

Q Did we see that on our way north?

A Yes. There are three bridges east of Ottawa let out to private firms.

BY MR. OLIVER:

Q What rule is applied to determine whether your Engineering Department should build the bridge, or that it shall be let out to private firms?

A I believe at the present time, it is due to the lack of engineering and designing staff. There is a tremendous back-log to be built about the province, not only in the north country, but all over, and due to the pressure of the back-log, the Department has had to let out the designing to private companies.

BY MR. MAPLEDORAM:

Q It is a common practice to do that, where you have a major project underway?

A Not until the last year, Mr. Mapledoram, as far as I am aware.

Q I was interested to know some of the peculiarities on the Pic, because everybody realized it was a major problem. We got out of the bus, and had a look at the whole area, and it struck us as a major problem, and it struck us there was some hold-up in the consideration of it.

BY MR. JANES:

Q Is it more difficult to build bridges by the

Bridge Department, than by your roadbuilding department?

A I would say so, yes.

BY MR. MAPLEDORAM:

Q There is one point in building bridges, it requires a tremendous staff of engineers for that kind of work. If you were not going to have a great deal of bridge building -- if you got the back-log caught up -- it probably would not be necessary to consider bridge building to any extent for the next ten years or so?

A Yes.

Q Is that the thinking in the Department, in letting these contracts out?

A I think that is really what is in the back of the minds of those in the Department.

MR. MAPLEDORAM: That is all I wanted to ask. I think Mr. Tregaskes has covered the situation very well.

THE CHAIRMAN: I think that is probably all, unless somebody else has any question they want to ask of Mr. Tregaskes, while he is here. (No response).

Thank you very much, Mr. Tregaskes.

---The witness retired.

THE CHAIRMAN: I would at this point suggest --

MR. JAMES: Mr. Fulton is here, Mr. Chairman,

and perhaps he can answer my question.

THE CHAIRMAN: Very well. We will call him.

W. J. F U L T O N,

Chief of Surveys Department, Department of Highways,
having been previously heard, and now recalled, and
having been already sworn, continues his testimony as
follows:

BY THE CHAIRMAN:

Q You have been sworn at these hearings?

A Yes, I have.

Q Then the evidence you are about to give will
be under the same oath?

A Yes. May I say, Mr. Chairman, if these plans
(indicating) are going to remain in as Exhibits, I would
like to put prints in, rather than the originals.

BY THE CHAIRMAN:

Q Have they been filed?

A No, they have not as yet, Mr. Chairman.

BY MR. JANES:

Q Mr. Fulton, Mr. Clarke in giving his evidence,
stated that in the pre-engineering on these highways,
particularly, I think it was the Atikokan, they used
40 percent. of the plans --

MR. BECKETT, Q.C.: That is contract 51-71.

THE CHAIRMAN: Mr. Mapledoram knows where it is.

MR. MAPLEDORAM: You are speaking about the Steep Rock road?

MR. JAMES: Wherever the Bush survey was made.

BY MR. JAMES:

Q It was said that 46 percent. of the engineering work was done by the Bush survey. How expensive was that over the years? It was about 1946.

A No, it was done in 1940 -- or perhaps it was 1939.

BY MR. MAPLEDORAM:

Q That was the Bush survey?

A Yes.

BY THE CHAIRMAN:

Q In 1940, did you say?

A Yes.

BY MR. JAMES:

Q They had not planned the Atikokan road then?

A In 1940, Bush ran a survey from Postan right through to Fort Frances, paralleling the C.N.R. Railway.

BY MR. WREN:

Q From where?

A Postan.

BY THE CHAIRMAN:

Q That is close to Shebandowan Lake?

A Yes.

Q In 1940, there was a survey made of that road?

A Yes.

BY MR. MAPLEDORAM:

Q Mr. Clarke said he used about 45 percent. of the highway. He means that 45 percent. of the road from Shebandowan to Fort Frances was used in that highway?

A Yes. It was identical with Bush for 45 percent. of the distance.

BY MR. WREN:

Q Did he run a complete engineering survey, or just located it?

A He ran a very good survey. The line was flown; aerial pictures were taken, and he made a partial plan from aerial pictures, which I have here.

Then he ran a line himself, and took contours on each side of the line, and from that, a profile was drawn.

That was the information on which the contracts were called for by this call, in 1951.

BY THE CHAIRMAN:

Q He used the same line?

A The information from that line, yes.

Q It was available to the contractors?

A Yes.

BY MR. WREN:

Q A field party's work. But what is normally considered a completely-engineered estimate?

A He did not take any cross-sections, which we are now taking, but it is a fairly complete line.

Q It was all additional engineering to compile a fairly accurate estimate of quantities?

A I would think so. He would have to use another line profile to get the quantities.

Q You think they would come fairly close?

A Yes. There would be some compensation, to some extent.

Q To what extent? 10 percent? 20 percent?

A I would think it would be within 20 percent.

Q Would you be prepared to say that a contract which is indicated on this Bush survey, would come within 20 percent. of the estimate?

A If they followed the Bush line, which they did not, in 55 percent. of the distance.

Q Let us pin it down to where they did follow the Bush survey. Would it come within 20 percent?

A I would think so.

Q Have you examined any of the exact estimates to see how close they did come?

A No, I have not. Before the actual construction work was started on the Atikokan job, we had completed our second survey.

Q And the second survey over-ruled the Bush survey?

A Yes.

Q Was this survey actually in favour of the bidders at the time?

A Yes.

Q As well as the second survey?

A No; they did not have the second survey.

Q You say they did not have the second survey?

A No.

Q What did you have? What was the purpose of the second survey?

MR. MAPLEDORAM: It was engineering done while the job was in progress.

THE WITNESS: No, this survey --

BY MR. MAPLEDORAM:

Q I mean the second survey; that would be engineering as you go along with construction?

A No, we made an entirely new survey.

BY MR. OLIVER:

Q Before construction?

A Before construction was started.

Q The contractors did not do that?

A No, it was not finished when the contract was called.

BY MR. WREN:

Q Did you ask them to switch over from the Bush survey to the second survey?

A No.

Q And they bid on the Bush survey?

A Yes.

Q What was the difference?

A The 55 percent. that went around the opposite side of the lake.

Q We want to establish that. You say that approximately 45 percent. of the work was done on this Bush survey, and that the estimates were drawn on that, and they should be within 20 percent. accuracy?

A On the 45 percent., where we followed the line.

Q Then, after you started the work, the second survey came along, and you changed the road in some places, after the tenders were called?

A Yes.

Q So there would be no way of checking whether the contractor's estimates were close or far out, would there?

What I am getting at is, a contractor bid on

one set of conditions, and they switched to another set of conditions?

A Yes, that is true.

Q How could you check the accuracy of the engineering as against bidding and estimated quantities?

A There was no check made. The contractor was paid for the work he did.

Q It became more or less of a cost-plus affair when the location was changed?

A No; the unit prices were the same.

Q When a contractor bid first, he was bidding on an estimated set of quantities; then when the line was changed, he would not know what the estimated set of quantities would be? He might not know, but he could not do anything?

If he could not move as much rock and earth as was shown in the original work, you would have to change the unit prices?

MR. JANES: Or change the line, which might change the material very much.

THE WITNESS: It is hard to say. There are 85 miles there, and you could possibly locate two lines, 15 miles apart, which should be fairly -- the total quantities on the 85 miles, would not vary a great deal.

MR. JANES: Then they had fairly accurate pre-engineering on that road.

BY MR. WREN:

Q If it was that accurate; if you are agreeing with Mr. Janes, we should be able to be shown here the final figures which were within 20 percent. Can you produce that kind of evidence?

THE CHAIRMAN: We got the over-runs on that.

MR. MAPLEDORAM: We have not received the final check on it as yet.

MR. WREN: We saw this morning that some of the contracts were already over-run, and the present known over-run is in excess of 20 percent., so who would be responsible for the errors which have developed, shall we say, if, as you say, the Bush survey should be within 20 percent?

THE WITNESS: I say that 45 percent. of the line we used was Bush's line.

We did not use 45 percent. of the line from "A" to "B". We may use part of it for 2,000 feet, and we may find a swamp, or part of the Bush line we did not like, and for another 2,000 feet we would go around the swamp, and then we would strike the Bush line again, and then perhaps strike a rock cut, and we have to again get around that, going this way (indicating) --

BY MR. WREN:

Q The Bush line was just to facilitate the calling

of the tenders; it had no engineering position at all?
Would that be a reasonable conclusion?

A Bush's survey was a fairly good survey.

Q It could not be very good, if you could only
go on for 2,000 feet and then have to go around it.

It was obvious your engineers decided they
would have to run an alternate line? Is that right?

A Yes.

Q So the Bush line was just something to use
for calling tenders?

A That is what the tenders were called on, yes.

THE CHAIRMAN: Would this line be very helpful
to get quantities reasonably accurate -- quantities of
earth and rock?

MR. BECKETT, Q.C.: I think the witness said
he did not take cross-sections.

THE WITNESS: No, we did not take cross-sections.
The Bush line was not run with the idea of calling con-
tracts.

BY MR. OLIVER:

Q Were cross-sections taken on the Bush line
before the contracts were called?

A No.

BY MR. WREN:

Q Would you ordinarily call tenders for jobs

involving millions of dollars on a plan, or set of plans, such as was compiled by Bush, and kept on file by you?

A No, I would not.

Q You would not?

A No.

Q You would not be in favour of that?

A No.

MR. WREN: I think it was the expediency of the election which has speeded that up.

MR. MAPLEDORAM: Oh, I would not say that.

THE WITNESS: It would give the contractor an idea of the country he was going across, and the cuts and fills would be approximately the same.

MR. WREN: I can appreciate the value of that Bush line as a basis for information, but it left a great deal to be desired.

MR. JANES: He said the estimates were fairly accurate on that road.

MR. WREN: How does he know?

MR. JANES: He said 45 percent.

MR. WREN: He did not say that. He said they used the Bush road for 45 percent. of the route, and in that 45 percent., they deviated from time to time.

THE WITNESS: No, we actually salvaged 45 percent. I do not mean we deviated.

BY MR. WREN:

Q You used 45 percent. throughout?

A There were 85 miles there, and about 45 percent. was Bush's; there has been quite a good deal of cross talk here --

MR. JAMES: We think we have it pretty well. He said it was a very accurate survey; they used 45 percent. and it was very accurate, so I think the contractors had a good foundation upon which to work.

THE CHAIRMAN: Would you like to indicate a section on one of these contracts? (indicating).

MR. WREN: The witness -- and let us not get away from this -- made it clear that the engineering on the 45 percent. line, which was, shall we say, 40 miles --

BY MR. WREN:

Q You stated you did not think there was sufficient information, in your opinion, upon which to call a tender for that 40 miles?

A Not as to cross-sections.

Q You would want more information than in that 40-mile line?

A Yes.

Q None of that 40 miles was deviated from at all? You followed that in its entirety? Is that correct?

A Yes.

Q But during the course of the other 45 miles, you may have deviated?

A No. I am saying that of the 85 miles of the Atikokan, we actually salvaged and built the line on 45 miles, but it was not continuous. There was a mile here and a mile there.

Q You indicated to me a while ago that even where you accepted the Bush line, you did deviate, where it was difficult to go around a swamp and the terrain was difficult, so actually the Bush line did not mean a great deal, except for calling tenders.

MR. MAPLEDORAM: It was a bush line.

MR. WREN: It was a "pack sack" survey.

THE WITNESS: All the line was taken by transit and various levels. The line was picked out of the photographs.

BY MR. WREN;

Q I want to get it clear before this Committee; what is the relationship between the quantities laid out in the so-called "Bush Survey", and the quantities which were actually taken out?

A I would have to make a double line to find out where they coincided with the Bush line, to figure out the quantities of the Bush line, and figure out the quantities on the other.

It would take three or four of my men about six weeks to do that.

THE CHAIRMAN: Certain evidence was given here as the result of questioning to find out what amount of pre-engineering was done on this road.

Evidence was given this morning as to the number of parties, and now Mr. Janes has produced, through you, some evidence of work done in 1940, and you have added to that by saying there was a further line run about the time the contracts were called, and the tenders were not based on the second survey.

MR. WREN: The tenders were based on the Bush survey, which the witness said, in his opinion, were not adequate.

THE CHAIRMAN: This came up in regard to the question of pre-engineering.

MR. JAMES: He stated the Bush survey was very accurate.

THE CHAIRMAN: I do not think we will need these plans (indicating) filed as exhibits, unless someone calls for them.

---The witness retired.

THE CHAIRMAN: Now, I would like to deal with the question of deciding whether this Committee feels it should take up the question of the bonding of

contractors. We had a discussion on that this morning and we have given ample notice to the representatives of the Bonding Companies to come if they wish, and I think as the details of the wording of the contract is something which will follow, their representatives would no doubt sit in on that, anyway.

I think this Committee should decide whether it wishes to make a recommendation with respect to the form of the bond --

MR. WREN: Are they not coming to see us?

MR. OLIVER: We should ask them to come.

THE CHAIRMAN: I do not think there is any necessity of doing more than asking them to come.

MR. WREN: I think it is most necessary to establish the point raised this morning, as to how far their responsibility goes. I am not satisfied with that in the position in which it is now.

THE CHAIRMAN: I think we might get that from the Legal Department of the Government, and not from the Bonding Company.

HON. MR. PORTER: They have a counsel to look into that, and if the bond is not in proper shape, it should be put in proper shape at once.

I do not think counsel could give an off-hand opinion on that.

MR. COLLINGS: I would move we request the legal department to look into the question of highway contract bonding, and that we submit to them, the copy of the bond we have, and the information we gained in Albany, Bismarck and whatever you have from London, England -- whatever information you have, and ask them for their opinion, and to bring a copy of a proper bond back.

THE CHAIRMAN: Would you couple with that, that a general recommendation be made that it is this Committee's view that the bond should be wide enough to protect all labour and material?

MR. COLLINGS: Yes.

MR. OLIVER: Mr. Chairman, it seems to me, before we make up our minds, we should hear the principals. It seems to me we should add to our knowledge, and out of that will come more definite information, and we will be in a better position to make a recommendation.

We have had the contract forms here, and quite properly, before we discussed what recommendations we decide to make in that regard --

THE CHAIRMAN: This Committee is not sitting for the convenience of the Bonding people --

MR. OLIVER: No, but we are here to get information.

THE CHAIRMAN: Have you the name of one for whom a Speaker's warrant could issue to bring before this Committee?

MR. WREN: I would make the motion that a subpoena be issued to require an official of the United States Fidelity and Guaranty Company to appear before the Committee.

MR. OLIVER: I will second that motion.

THE CHAIRMAN: Tomorrow morning?

MR. COLLINGS: Does anyone know whom to subpoena?

MR. WREN: If no one can be specified by them, bring them all in.

MR. COLLINGS: Our Department was in touch with somebody.

THE CHAIRMAN: Mr. Agnew was in charge of that department.

MR. BECKETT, Q.C.: Was he invited to come?

THE CHAIRMAN: I do not think we should sit here for their convenience.

MR. OLIVER: We should have somebody in order that we will get full information.

MR. WREN: We just get to the point nicely, and then we stop.

THE CHAIRMAN: Will you name the man you want

us to summons?

MR..WREN: I do not know.

THE CHAIRMAN: Then what are you talking about?

MR. WREN: You mentioned Mr. Agnew. You are the Chairman of the Committee, you can find out what member of their staff is available.

THE CHAIRMAN: I think I have done pretty well in bringing people before this Committee.

MR. OLIVER: Than why stop now?

MR. COLLINGS: You have not stopped now, Mr. Chairman. You asked for somebody.

MR. OLIVER: It was temporarily held over.

MR. WREN: Because a man does not appear, you think the matter should be shelved.

THE CHAIRMAN: I will ask our Secretary to advise the man selected that he stands the risk of having a subpoena issued.

MR. BECKETT, Q.C.: Did he say he would not come?

MR. JOHNSON (Secretary): I have not been able to locate him as yet. I have been trying to find him.

MR. COLLINGS: Mr. Agnew?

MR. JOHNSON (Secretary): Yes.

MR. COLLINGS: There is a Mr. Palmer there.

THE CHAIRMAN: Tell him we would like to have a responsible person up here this afternoon if possible, and if not, then tomorrow morning, and that we do not want to have to resort to a Speaker's warrant to bring him.

Gentlemen, Mr. Collings has put a general motion. We might defer putting it before the Committee for the moment.

Mr. Elson, I understand you have been working on this question of a bond?

MR. ELSON: That I have been working on it?

THE CHAIRMAN: The form of the bond referred to the Department for consideration.

MR. ELSON: That I had been working on it?

THE CHAIRMAN: Well, you were there; was not somebody working on it?

MR. ELSON: I do not think I was there working on it. It is there to be worked on, but I have not attacked it as yet.

THE CHAIRMAN: Perhaps we might now deal with the brief from the Ministry of Transport.

MR. WREN: I hope the Ministry of Transport will not back out of this.

THE CHAIRMAN: Gentlemen, a copy of this form of brief, or letter, was distributed last night

to the members. I think it deals with a number of important matters and perhaps should be read right through.

HON. MR. PORTER: Mr. Chairman, may I suggest, before you go on to that, that the matter of the form of the bond be referred to the counsel for the Committee to study, and to report upon, and if that is done, I think the Attorney-General's Department would retain counsel who is familiar with the bond business, and secure an outside opinion -- a very thorough and complete opinion -- on this matter, which can be placed before the Committee for its information.

MR. WREN: That is fine.

HON. MR. PORTER: That is in addition to anything we get from the Bonding Companies. I agree we should have the fullest possible information.

MR. BECKETT, Q.C.: If that is put in the form of a motion, I will second it.

MR. MAPLEDORAM: Are we to understand from the evidence of Mr. Zoller that these bonds will stand up under pressure of some of the things which will come up?

HON. MR. PORTER: That is a matter upon which we want an opinion. But I think it should be from some counsel who specializes in that sort of work, and the Attorney-General's Department can be responsible

for obtaining that opinion.

MR. OLIVER: That does not eliminate the necessity or desirability of having before this Committee, some representative from the Bonding Companies?

HON. MR. PORTER: Oh no, not at all.

THE CHAIRMAN: That still stands.

Dealing now with the letter dated June 15th, 1954; I have prepared a memorandum -- actually, two weeks ago today -- of some of the requirements shown from the forms which have been filed earlier.

If you will allow me, I might be able to assist the Committee by referring from one to the other as we go along, and try to clear up the two points at the same time.

MR. OLIVER: I see it is marked "Personal".

THE CHAIRMAN: I think that is common to most departments.

The final paragraph reads:

"The foregoing information is of necessity somewhat incomplete, but I hope you will find it useful. No doubt if you wish to know anything further, you will write to Mr. Hargreaves again later on. In the meantime, you will appreciate from the first paragraph of this letter, that I have not, at this stage, consulted our Administrative Division, as

would be necessary if you required a formal reply."

Mr. Gordon, would you be good enough to read the memoranda? I may stop you once in a while in order to refer to some of the other sections we could tie in.

MR. GORDON: This is a letter from the Ministry of Transport and Civil Aviation, 21/37 Hereford Road, London, W.2, dated 15th June, 1954, and addressed to G. D. Taylor, Esq., Public Relations Office, Ontario House, 13, Charles II Street, London, S.W.1, and it reads:

"Dear Mr. Taylor: PERSONAL

Mr. Hargreaves is at present away from the office on leave, and in his absence I am replying to your letter of 4th June, which I take it you wish to be dealt with on a personal and informal basis.

We have done our best to answer the questions contained in Mr. Elson's letter of 27th May, with the following results:

(a) Preparation of Tenders

In the case of trunk roads, for which the Minister of Transport and Civil Aviation is the Highway Authority, the County Councils and some Borough or District Councils usually act as the Minister's Agents, and carry out the preliminary

survey work in connection with schemes of major improvement, together with the preparation of the scheme to the contract letting stage.

Sometimes, however, the Council's staff is too small, or the job is too specialised, for them to deal with it, and in such cases it is usual to employ a firm of Consulting Engineers, who would be responsible directly to the Ministry.

In the case of road or bridge works on other roads, for which the County or other Councils are themselves the Highway Authorities, the same procedure is adopted except, of course, that in such instances, the Consulting Engineers are employed by the Councils and not by the Ministry. On classified roads, improvement works are carried out with the aid of grants from the Ministry, and a proposal by a Council to employ Consulting Engineers would, therefore, need the Ministry's sanction.

Occasionally, in the early stages of very large projects, aerial survey firms are employed for contouring to assist in the location of the road."

THE CHAIRMAN: Perhaps you will just pause there for a moment. In this memorandum, there were

two things in respect to a tender, one fair wages. In an appendix to form of tender, which appears on page 2 of Exhibit 23, is set out the form of a resolution of the House of Commons, passed with respect to fair wages. I do not think it is necessary for me to read that. I am referring the members of the Committee to the fair-wages form, and it could be used, if considered advisable, in connection with future contracts.

The other item is number four, which appears on page 3 of Exhibit 23, under the heading "Conditions of Tender", which reads as follows:

"The numbers quantities and measurements given in the Bill of Quantities are approximate only and their accuracy shall in no way affect the validity of the Tender or of any Contract based thereon. The total amount for the various items set out in the Bill of Quantities at the rates or prices inserted by the Contractors shall be stated in each case, but this figure is required solely for the purpose of facilitating the comparison of the various Tenders received, and shall not be deemed to be the actual sum which is to be paid to the Contractors for the execution of the work the actual sum to be paid (subject to the provisions of the said Conditions of Contract) the value at the rates or prices

inserted by the Contractors in the Bill of Quantities of the materials actually supplied and work actually done by the Contractors."

This makes clear that the numbers, quantities and measurements given are approximate only, and it also makes clear that the amount to be paid to the contractor for the execution of the work is based on the quantities actually supplied, subject to the other conditions and provisions of the contract.

Will you proceed, Mr. Gordon?

MR. GORDON: This goes on:

"(b) Method of calling tenders

Up to date, the general rule has been that all tenders should be publicly advertised.

Certain exceptions to this rule are made, but in such cases the cost of the work involved is usually not very great, although no fixed maximum sum is laid down.

Examples are the provision of traffic light signals, prestressed concrete beams, and welded steel girders; soils investigations, and cement gun work.

Occasionally, fairly small jobs are undertaken, such as the replacement of defective stonework on a bridge, in which it is very difficult to

estimate the full extent of the work required until a start has actually been made. In such cases, recourse may be had to a 'Fixed-fee-contractor's-cost' type of contract, and suitable firms would then be invited to tender without public advertisement.

Every case in which a departure from the general rule is proposed is very carefully scrutinized before such a decision is taken."

THE CHAIRMAN: I might add there that the condition of tenders requires a deposit to accompany them. They actually leave a blank space in relation to a particular contract for any specified percentages.

This provides that the lowest tender need not be accepted.

MR. GORDON: (Reading):

"(c) Opening of Tenders

Tenders are not opened in public. For the smaller jobs, tenders are opened on the appointment day by the Clerk of the Council or by the Surveyor, but in the case of a large or important scheme, the tenders would probably be opened at a meeting of the Highways Committee of the Council.

Where works to be carried out directly for the Ministry are concerned, tenders are called for

by an Assistant Secretary of the Department, and are opened in the presence of an officer from the Finance Branch.

(d) Information for the public

The unit prices of tenderers are not made known to the public.

The total amount of the accepted tender is published, and sometimes, if the work is large and important, the unsuccessful tenders are also made known."

THE CHAIRMAN: I might mention two things there.

First of all, the form of bond, which appears on page 5, under the heading "Bond of Surety". Under the heading "Condition of the Contract", a "Contract" is defined, on page 9, in some considerable detail. Sub-letting is not permitted, except with the consent in writing of the engineer.

Paragraph 6 on page 10 of Exhibit 23, reads as follows:

"Except where otherwise provided for in the specification, the contractors shall not sublet or enter into any sub-contract for the execution of the works or any of them without the consent in writing of the engineer, but, notwithstanding,

such consent, no sub-contract shall operate to relieve the contractors from any of their liabilities or obligations, and the contractors shall be responsible for all the acts, defaults, and neglects of the sub-contractors, their agents, servants, or work men, as fully as if they were the acts, defaults and neglects of the contractors, their agents, servants or work men."

Then, in regard to material; as I have mentioned previously, they have added a paragraph in regard to the Empire barriers, and they say:

"Save with the consent of the Council, no imported materials or plant and no manufactured materials or plant not wholly manufactured in the British Empire, shall be used upon the works."

There are also quite elaborate provisions concerning securing some of the employees from depressed areas. That appears in Item 37, on page 16, if anyone wishes to look at it, in detail.

Will you proceed now, Mr. Gordon?

MR. GORDON: (Reading):

"(e) Control of Contractors

Contractors are not graded according to experience, equipment, or financial stability.

If the lowest tender is submitted by a firm whose work has been unsatisfactory in the past, or

whose resources are known to be inadequate, our procedure does admit of the acceptance of the next lowest tender, after full discussion with our Finance Officers.

(f) Deposit cheque and Performance Bond

Each tender must be accompanied by a small deposit as a guarantee of good faith. This is not an exact fixed percentage of the total bid, but, in Ministry contracts, would vary from 5 pounds for schemes up to 25,000 pounds to 15 pounds at about 300,000 pounds and would be specially considered over that sum. All deposits are returned as soon as a tender has been accepted except in the case of the successful tenderer, when the deposit is returned immediately after the formal contract and bond have been completed.

A performance bond must be furnished by the successful tenderer, and in the case of surfacing or bridge contracts this amounts to 20% on the first 50,000 pounds of the tender sum, and 10% of any amount in excess of 50,000 pounds. In the case of other works, the amounts will be 15% on the first 50,000 pounds and 10% of anything in excess of that sum. The amount of the bond is not progressively decreased as the work proceeds, but is

retained for the total duration of the contract."

There is a reference there, Mr. Chairman, to a "Confidentaal Note".

THE CHAIRMAN: Yes, I think it should be read.

MR. GORDON: (Reading):

"(Confidential Note: The necessity for bonds of surety on small contracts and the percentages generally are at present under review.)"

THE CHAIRMAN: It is quite apparent they did not attempt to bond for the whole contract. They bond for a percentage.

MR. BECKETT, Q.C.: But it is a performance bond.

MR. COLLINGS: That is different, Mr. Beckett says, from an ordinary bond.

MR. BECKETT, Q.C.: Ours are contract bonds.

MR. GORDON: (Reading):

"(g) Enforcement of completion date

A penalty clause is included in the contract to the effect that a certain sum shall be paid by the Contractors for every day beyond the appointed date for the completion of the work.

No bonus is given for completion in advance of the appointed date."

THE CHAIRMAN: Will you just pause again there for a moment, Mr. Gordon?

Item 55, on page 20 of Exhibit 23, the details of the time of commencing and completion, and liquidated damages for failure to complete the work within the due date.

There are provisions for that in the British forms; liquidated damages for failure to complete, and no bonuses, apparently, for completion.

Perhaps I should read paragraphs 55 and 56 together. They are as follows:

"The Works shall be commenced within seven days from the date upon which the Engineer shall give notice to the Contractors that they can take possession of the Site or of any portion thereof for the purposes of the Works. The period fixed for the completion of the Works is months from the date of such notice and on or before the last day of that period the Contractors shall hand over to the Council the Works complete and finished in every respect. Provided always that the Engineer may from time to time by notice under his hand extend the time for completion of the Works in any of the cases where under these Conditions he has power so to do and

in such event the Contractors shall so complete and hand over the Works on or before the day last fixed for completion in such notice or notices. If in fact the Engineer has not given any such notice then the Contractors must be complete and hand over the Works on or before the last day of the period stipulated.

56. If the Contractors fail to complete and hand over the Works to the Council on the day fixed by these Conditions for completion or on or before such other day to which the time for completion may be extended by the Engineer under the powers contained in these Conditions then for every day which shall elapse between such day and the time when the Works shall be completed and handed over the Contractors shall pay to the Council by way of liquidated damages the sum of pounds and the Council may without prejudice to any other method of recovery deduct such sums from any moneys in their hands due to ^{to} or/become due to the Contractors. The payment or deduction of such sums shall not relieve the Contractors from their obligation to complete the Works or from their other obligations and liabilities under these Conditions."

MR. GORDON (Reading):

"(h) Method of Payment for certain items

Excavation is billed in cubic yards except for trenches which are measured in linear yards.

Separate items are provided for excavation in:-

- (a) Top soil;
- (b) Cuttings;
- (c) Benchings;
- (d) Borrow pits;
- (e) Solid rock and boulders.
- (f) Materials unsuitable for use as filling;
- (g) Removing spoil banks;
- (h) Removing industrial waste;
- (j) Deepening and widening watercourses, drainage ditches, etc.;
- (k) Forming temporary drainage ditches, watercourses, etc.;
- (l) Trenches, in 5 ft. lifts;
- (m) Cofferdams, in 5 ft. lifts.

In measuring excavations the quantity taken is the net volume of the void formed by the removal of the excavated material, and no allowance is made for bulking.

No payment is made for overhaul.

Excavation in rock includes material found in

ledges or measses which would normally be removed by blasting,-- "

THE CHAIRMAN: "3 cubic feet"; that is much smaller, is it not, Mr. Clarke?

MR. CLARKE: Yes, it is less than one-half yard -- it is less than one-quarter of a yard -- it is one-ninth of a yard.

THE CHAIRMAN: But smaller than your present size?

MR. CLARKE: Oh yes, much smaller.

MR. GORDON: (Reading):

" -- and also solid boulders exceeding 3 cub. ft. in size in trenches or 6 cu. ft. in general excavation.

Excavation in any other material, such as loam, broken rock, sand, gravel, brash, quicksand, peat, shale, chalk and boulder clay, is classified as common excavation.

Where excess expenditure is involved, this can be approved by the Ministry's Divisional Road Engineer up to 1000 pounds. Anything in excess of that amount must be referred to the Chief Engineer. If the cost of the whole job is more than 100,000 pounds, and the excess is over 10%, then Treasury authority for its acceptance must be obtained.

"When extra works have to be done, for which no rates are quoted in the Bill of Quantities, such rates are negotiated with the Contractors wherever possible, having regard to the rates included in the Bill for any work of a similar kind. If, however, the extra works cannot properly be measured and valued, day-work prices are allowed for them. A schedule of day-work rates, for men, material, and plant, is usually appended to the Bill of Quantities.

It is not the practice to make advance payments to Contractors in respect of work not yet done. The Contractors make a monthly return of work done, and the Engineer in charge of the works, if he is satisfied with this return, issues a Certificate of Value in respect of it. A payment is then made amounting to 90% of the value of the work done."

THE CHAIRMAN: Just on that point, Item 58 on page 20, sets out the details of the monthly returns on work by the contractors, and all claims to be included.

I will read it:

"The Contractors shall deliver to the Engineer or at his office on or before the tenth day of every month during the continuance of the Works a return (together with such copies as the Engineer

may specify) in the form required by the Engineer made up to the end of the preceding calendar month showing the quantity of work performed on the Works during such preceding month and also the total quantity of the work performed on the Works since the commencement thereof and shall also show whether such work is or is not claimed for as extras and such return shall also contain the value of such work as claimed by the Contractors which value shall be based upon the rates and prices mentioned and contained in the Bill of Quantities and in each item of the return furnished by the Contractors the particular item in the Bill of Quantities upon which the value or price is estimated shall be referred to by number. The Contractors shall include in such monthly return particulars of all claims of whatsoever kind and however arising which at the date thereof they have or may claim to have against the Council under in respect of or in any manner arising out of the execution of the Works and the Contractors shall be absolutely barred from making any claim not included in such return and no Certificate of Value under Clause 62 hereof shall be given by the Engineer until such return and particulars of claims have been duly rendered as aforesaid."

As you will note, the contractors are absolutely barred from making any claim not included in such return.

MR. GORDON (Reading):

"(1) Acceptance of Work

If any part of the works can be taken into use before the completion of the remainder of the works, then such part can be accepted as **complete**, but if no part of the works can be used until the whole is completed, then a Certificate of Completion can be issued only in respect of the whole job."

THE CHAIRMAN: Item 59 appears on page 20 of Exhibit 23, and sets out the measurements of the completed work and provides for a notice to the contractors. It says:

"Before giving the Certificate of Completion hereinafter referred to the Engineer shall cause the whole of the works covered by such Certificate to be measured and for that purpose the Engineer may from time to time by giving not less than three days' notice in writing to the Contractors appoint a day for making measurements of the works and upon the day appointed the Contractors and the Engineer or his representative shall attend on

the site and shall measure and take account of all or any parts of the works done and performed by the Contractors and the quantities and amounts thereof shall be written down in duplicate one copy being kept by the Engineer and the other by the Contractors and their accuracy attested by the signatures of the Contractors or some person on their behalf and of the Engineer or his representative to each of such documents and the documents so signed shall as between the Contractors and the Council be for all purposes admissible in evidence. If the Contractors fail without reasonable cause to attend when any measurement is made the measurement made by the Engineer or his representative shall bind the Contractors and be accepted by them as the correct measurement and the Contractors shall not dispute or re-open the question of measurement. The Contractors shall provide at their own expense all materials instruments and things required by the Engineer for measuring up the Works and such men approved by the Engineer for measuring up the Works and such men approved by the Engineer as he may require to assist him. All measurement shall be made according to the actual dimensions notwithstanding any general or local custom."

As you will notice, the normal procedure is for the contractors to sign acknowledgments of correctness.

MR. WREN: A very good point.

THE CHAIRMAN: Item No. 61 is a certificate of completion. Item 61 reads:

"No part of the Contract Price shall become due or payable until the Contractors have received a Certificate of Completion. As soon as possible after a Certificate of Completion has been issued in respect of the whole or part of the Works as the case may be the Engineer shall issue a final Certificate of Value declaring the amount due to the Contractors in respect of the Contract Price for the whole or part of the Works as the case may be and the amount previously advanced to the Contractors in respect thereof under the provisions of Clause 62 hereof. Such Certificate shall not be given until the Contractors have rendered to the Engineer the final monthly return showing the whole of their claims against the Council in respect of or arising out of the execution and completion of the Works to which the Certificate of Completion refers. The Contractors shall fourteen days after producing such Certificate of Completion and such Final Certificate of Value to the Council become entitled to receive from the

Council such sum of value together with the amount previously advanced to them represent ninety per cent. of the total amount certified to be due under the Contract in respect of the Works to which the Certificates refer and the Contractors shall become entitled to receive a further amount representing five per cent. of such total amount at the expiration of six months from the date of the said Certificate of Completion and the balance of the total amount at the end of the period of maintenance applicable thereto under the provisions of Clause 63 hereof on producing to the Council a certificate of maintenance signed by the Engineer stating that the Works have been maintained and upheld to his satisfaction. No interest will be allowed to the Contractor on the Contract Price or any portion thereof withheld during the period of maintenance. Provided that in any event where the Works include or consist entirely of permanent surfacing then notwithstanding that the period of maintenance applicable to the said permanent surfacing under these Conditions exceeds twelve months the Contractors shall become entitled to receive the balance of the certified value of the said permanent surfacing twelve months after the date of the said Certificate of Completion upon presentation to the Council of a Certificate of Maintenance signed by the Engineer stating that the said permanent surfacing has been maintained to

his satisfaction. Neither the last mentioned certificate nor payment to the Contractors in consequence thereof shall relieve them of their obligations under Clause 64 or 65 of these Conditions as the case may be."

Then, Item 63, appearing on page 22 of Exhibit 23, under the heading "Maintenance of Works" requires, in some cases, contractors to maintain the roads for a certain time afterwards, as part of the contract. It reads:

"The Works or any part thereof shall not be deemed completed until a Certificate of Completion in respect of the whole or part (as the case may be) has been issued and notwithstanding the issue of such Certificate the Contractors shall be liable for the period of after the date of the Certificate of Completion to remedy and make good any defect in the Works whether due to the use of improper materials or inefficient workmanship or the neglect or default of the Contractors or their agents servants or workmen and any damage or injury to the Works arising from or consequent on such defect and shall indemnify the Council against all actions suits claims costs and demands

arising out of any such defect but this Clause shall not impose upon the Contractors any liability for any damage or injury sustained or any claim made after the expiration of the said period of

from completion of the Works or part (as the case may be) and in case the Contractors shall fail to remedy and make good any such defect as aforesaid after notice so to do has been given by the Engineer within such time as may be fixed by the Engineer in such notice the Council shall be at liberty to execute any needful works and all expenses incurred by the Council by or in consequence thereof shall be paid and may be recovered as a debt due to the Council by the Contractors."

(page 1788 follows)

MR. GORDON:(Reading):

"(j) Organization and Administration

The principal road authorities in Great Britain are the Minister of Transport and the County Councils.

The Ministry has its headquarters in London, and ten divisional offices in various parts of the country, each in the charge of a Divisional Road Engineer. The Minister is responsible for about 8,000 miles of trunk roads, and the maintenance and improvement of these roads is carried out, for the most part, by the County Councils on his behalf. The work done by the Councils on the trunk roads is under the control of the Ministry's Chief Engineer, and his Divisional Road Engineers, and the extent of this work is governed by the funds provided annually by the Treasury.

Besides the road engineering staff of the Ministry there are also Administrative and Finance Branches headed by Under-Secretaries. These deal with general policy and financial matters and, on the recommendation of the engineers, the issue of grants, land acquisition, control of development, the making of traffic orders relating to speed limits, waiting restrictions, etc., and many other

aspects of road administration. In all these subjects, and in advising the Minister on matters of policy, the administrative and engineering staffs are in close collaboration.

The remainder of the more important roads in the country are classified as Class I, Class II or Class III, and grants of 75%, 60% and 50% respectively are made by the Ministry towards the cost of works of maintenance or improvement on these roads. Except in large towns the roads are under the jurisdiction of the County Councils, and an engineering staff headed by the County Surveyor is appointed by each Council to look after them. A Highways Committee is set up by the Council, and the County Surveyor is responsible to this committee. Besides his headquarters staff, the County Surveyor usually has a number of Divisional Surveyors, to each of whom is allotted a certain area of the county. The Divisional Surveyor has a small labour force for carrying out direct labour works in his area.

The Ministry's engineering staff exercises control to some extent over the work done by the County Councils on classified roads as he has to certify all grant payments. The Chief Engineer also lays down general standards of design and construction

to achieve uniformity and economy as far as possible. A standard form of contract and a specification for road and bridge works have been issued by the Ministry, and must be used for all works on trunk and classified roads.

(Confidential Note: It is likely that this will be shortly superseded by the adoption of the Standard Conditions for Civil Engineering Contracts issued by the Institution of Civil Engineers with such adaptations as are necessary to obtain compliance with our rules for grant.)

The foregoing information is of necessity somewhat incomplete, but I hope you will find it useful. No doubt if you wish to know anything further you will write to Mr. Hargreaves again later on. In the meantime, you will appreciate from the first paragraph of this letter that I have not, at this stage, consulted our Administrative Divisions as would be necessary if you required a formal reply."

THE CHAIRMAN: The only thing I would add to that is what I brought out yesterday.

Item 71, on page 24 of Exhibit 23, under the heading of "Gifts, Inducements and Rewards", reads:

"The Council shall be entitled to determine this

Contract and to recover from the Contractors the amount of any loss resulting from such determination if the Contractors shall have offered or given or agreed to give to any person any gift or consideration of any kind as an inducement or reward for doing or forbearing to do or for having done or forborne to do any action in relation to the obtaining or execution of this Contract or any other contract with the Council or for showing or forbearing to show favour or disfavour to any person in relation to this contract or any other contract with the Council or if any of the like acts shall have been done by any person employed by the Contractors or acting on their behalf (whether with or without the knowledge of the Contractors) or if in relation to this Contract or any other contract with the Council the Contractors or any person employed by them or acting on their behalf shall have committed any offense under the Prevention of Corruption Acts 1889 to 1916 or shall have given any fee or reward the receipt of which is an offence under subsection (2) of section 123 of the Local Government Act 1933. Where any such gift inducement or reward has been given or promised in relation to the obtaining or the execution of the Contract or any sub-contract hereunder to any officer or person in the service of the Council who shall be in any way connected with the obtaining or the execution

of the Contract or any sub-contract hereunder the Contractors shall also be liable to pay by way of liquidated damages a sum equal to ten per cent. of all the sums which become payable to them under the Contract. Any dispute as to the amount recoverable by the Council from the Contractors as a result of determination hereunder shall be settled in manner provided by clause 72 hereof."

That, gentlemen, is the information we have, together with these forms, and the fifth report of the Select Committee on Estimates, together with the minutes of evidence taken by the sub-committee "B" on "Roads", which, as I have indicated previously, is a procedure by which the sub-committee reviews the road conditions each year.

That may be of help in studying the general picture.

Do you want to report your information re the Bonding Companies, Mr. Johnson?

MR. JOHNSON (Secretary): I called the Bonding Company, and got in touch with Mr. Perry, and spoke about Mr. Agnew, and they have still been unable to locate him, and I left the message that if someone

did not appear this afternoon or tomorrow morning, they would be in danger of being served with a Speaker's warrant.

MR. OLIVER: How long has Mr. Agnew been away?

MR. JOHNSON (Secretary): They could not find him today.

MR. COLLINGS: How about Mr. Perry?

MR. JOHNSON (Secretary): He feels that Mr. Perry is not the man to answer the questions, but that Mr. Agnew is the proper official to appear before the Committee.

MR. MAPLEDORAM: If they were going to sell a few bonds, they would be here in a hurry.

THE CHAIRMAN: In looking over my agenda, I think the position now is that we have run out of briefs, for the moment. The Professional Engineers and the representative from the Canadian Pacific Railway will not be prepared to appear until tomorrow. That brings us really to the point as to whether there are any further witnesses at the moment who should come before the Committee.

The Secretary has some correspondence, which we might clear up now.

MR. JOHNSON (Secretary): The correspondence I have at the moment includes an open letter to the

hon. Leslie M. Frost, Premier of Ontario, and Mr. A. Kelso Roberts, M.L.A., and the hon. Farquhar Oliver, M.L.A. It reads as follows:

"Whereas, the Province of Ontario has appointed a committee to investigate the building of Roads (Highways) in the Province, by the Department of Public Highways in this Province.

It has been suggested and urged that the committee be requested to take the necessary steps for an investigation into this project, for the New Super Highway to the south of the City of London, and the improper location to be again referred to in this letter.

This highway will require, in our opinion, continuous maintenance and probably reconstruction from time to time and in subsequent years, because of its proximity and entrance to certain swamp lands in the Dorchester and Westminister township areas, and where there is much quicksand along the route of construction. Directly south of this planned highway is a ridge of land perfectly drained and one over which this proposed highway was originally planned.

We, a group of highly interested citizens of the riding of South London in the City of London, proper, would appreciate attention to such an important work

for the economic well-being and saving to the province as a whole, and that the work and construction be stopped for what we believe to be the means of correction in general.

May we be given a report of any investigation that you may be disposed to institute on our behalf.

Respectfully submitted,

(signed) C. M. Evans,
Chairman, Ward 1 Liberal Assoc.
33 Euclid Ave., London, Ontario.

(signed) H. E. Christie,
Secretary, Ward 3 Liberal Assoc.
495 Dundas Street, London, Ontario."

MR. OLIVER: I did not think there was much to that until now. It has some substance, now. We will see them tomorrow.

MR. JOHNSON (Secretary): There is a letter from the Kapuskasing Chamber of Commerce, which reads as follows:

"We wish to bring to your attention the present deplorable state of an important section of Highway No. 11 extending from Cochrane westward to Hearst. Since your committee is interested in all phases of highway work, design, location, construction methods, etc., we feel our problem merits your careful consideration. In support of this opinion, we wish to submit the following points:

1. Importance of Highway No. 11 in the provincial system.

Highway No. 11 from North Bay to Nipigon covers the only existing trans-provincial passable route in Ontario. This situation is likely to continue for many years in the face of delays in construction of the proposed Trans-Canada Highway. We feel, therefore, that it is most important that No. 11 be raised to first-class standards for its entire length.

2. Tourists are avoiding our area.

Although we have in Northern Ontario some of the finest tourist attractions in the province including fishing, camping and hunting, travellers are avoiding our area in increasing numbers due to extreme dissatisfaction with the above mentioned section of road from Cochrane to Hearst.

3. Difficulties with motor transport

The movement of motor transport is an important part of our road traffic but the drivers of these vans are becoming very critical of certain sections of the road. Even within the previous week, heavy transport has been bogged down in the middle of the road in the Driftwood area. The streams of invective hurled at local citizens are hard to take

since we are powerless to improve the situation. The volume of this type of traffic is increasing particularly in winter when driving conditions are good. We are seldom troubled with dangerous icing weather which is common in the southern part of the province. Last winter, we had upwards of 125 transports per day travelling through our area from Western Canada to Toronto and return.

4. Why we support Toll Roads.

Our Chamber, some four years ago at a convention in North Bay, suggested the Toll Road principle be followed in the construction of new thruways. Taxation revenue would then be available for improvement of our northern roads. The heavy expenditures on these super highways has apparently made it impossible to divert enough money to give our northern roads the attention they deserve.

To relieve our situation we propose the following:

- a) Reconstruction of approximately sixteen (16) miles between Cochrane and Smooth Rock Falls in the Driftwood area. This section is the one subjected now to the most complaint.
- b) New bridge across the Mattagami River at Smooth Rock Falls.

- c) Reconstruction with granular base from Kapuskasing to Hearst. (60 miles)
- d) New highway from Matheson north to Cochrane (50 miles). The present section is oil treated macadam and is not up to standard.

Completion of the above program with an all-weather surface would bring all of No. 11 highway up to acceptable standards and would insure a good trans-provincial highway at all times.

Our local Chamber of Commerce would like to issue an invitation to your Committee to visit this area. We would be most happy to provide adequate transportation from Cochrane to Hearst so that the members could see for themselves the situation we have described. We would try to make your ride as pleasant as possible under the circumstances.

We are,

Respectfully yours,

THE KAPUSKASING CHAMBER OF COMMERCE

(signed) N. S. Grant,
Chairman, Highways Commission.

(signed) George Coulter,
President".

MR. OLIVER: You might write and tell them we appreciate their communication, but the situation is not confined to the Kapuskasing area alone.

MR. JOHNSON (Secretary): Here is a letter (indicating) in regard to a matter brought up in Sudbury in regard to hurrying up payments.

THE CHAIRMAN: Making them earlier in the year. I think it had better be read.

MR. JOHNSON (Secretary): This is a letter dated Toronto, June 21st, 1954, addressed to myself, by hon. George H. Doucett, Minister of Highways in regard to "Highways Committee". It reads as follows:

"I wish to acknowledge receipt of your letter of June 14th in which you inform me of a suggestion made by representatives of the City of Sudbury regarding interim payments of subsidy under The Highway Improvement Act to the municipalities. It is suggested that such interim payments be made on the 1st of October and the 1st of March so that the municipalities could more accurately determine their mill rates early in the year.

I may say that it is the practice of the Department now to accept an interim statement from any municipality showing expenditures for the period from January 1st to August 31st. These statements are submitted to the District Municipal Engineer who checks them and forwards them, with his recommendation, to head office. They are again

checked at head office and process for the payment of subsidy. With our present staff, this operation takes about two months, which is not surprising when you consider there are 993 municipalities operating under The Highway Improvement Act.

The final statements of expenditure are submitted after the close of the calendar year and are dealt with in the same manner except that more time of the staff is required to do the detail checking required on them. It is, in fact, a major task for our present staff to get these cleared and subsidies paid before the end of the fiscal year.

In special cases, where a municipality undertakes a large project, which it would have difficulty in financing, the Department accepts an interim statement and pays an interim subsidy monthly, but it would be impossible to do this except in a few cases with our present staff. After the books of the municipality are closed at the end of the calendar year, the municipal officials should know that what the actual expenditure is on which subsidy can be paid, or should be able to make a very close estimate. This, I think, should be sufficient to

show the effect of the highway subsidy on their financial position, and to enable them to determine mill rates with reasonable accuracy."

EXHIBIT NO. 61(A): Letter,
June 21, 1954, Hon. Doucett
to Secretary, as produced
by Secretary.

THE CHAIRMAN: I wonder if it was passed directly to the municipalities concerned? I assume it was.

MR. JOHNSON (Secretary): It does not show that a copy was sent.

THE CHAIRMAN: You might make sure of that.

There has been a miscellaneous amount of correspondence which really relates to somebody wanting a little more for his land, a little more of this or a little more of that, which really is so extraneous to this Committee, that I have not brought it before you formally, and I think the only thing to do is to pass it on to the proper department concerned. It is obvious that we will draw a certain amount of correspondence, as do all bodies of this kind.

MR. OLIVER: This matter with respect to the location of roads is outside our reference?

THE CHAIRMAN: Yes. Anything of that sort will be passed on, if it is your wish.

(Concurred in).

THE CHAIRMAN: If there is any correspondence we have received which might be of interest or help in the enquiry, it can be passed on to Mr. Cotnam, to follow up.

I would like at this point to try and outline what I have here for tomorrow, because I think we are reaching a point at the end of June when the work of the Committee may have reached a position where we can at least deal with some of the recommendations in the Woods, Gordon report intelligently now, in the light of the tests we have given them, and by resolution, or in some other way, indicate our views on them.

However, I do not think we should proceed further with that until we hear the brief from the Professional Engineers, and the brief from the Canadian Pacific Railway, and hear further from the hon. Minister tomorrow morning.

I might just mention that there is a possibility we may want to sit tomorrow night to conclude that particular phase of our work. I hope it will not be necessary, but it seems to me we have reached a point where there is a great deal to be done tomorrow.

I do not think at the moment I have anything further on my own agenda to get before the Committee today.

MR. OLIVER: The only thought I have in mind was concerning Mr. Cotnam, and what progress he has made. He may be in a position to give us quite an extensive statement, for all I know.

It may be the feeling of the Committee that perhaps he should be asked to make at least another interim report.

MR. COLLINGS: Did he indicate he would be here in the morning?

THE CHAIRMAN: He has been here pretty well all day, but is not here just at the moment.

MR. OLIVER: Is the information Mr. Zoller was to get for us in connection with the Wolfe Contracts now available?

THE CHAIRMAN: Mr. Zoller, there has just been a point brought up concerning some information you were to secure for us. Perhaps you have it now.

MR. ZOLLER: Yes, I think I have it at the moment, Mr. Chairman.

J. L. ZOLLER,

Financial Comptroller, Department of Highways, previously heard and now recalled; and who having been already sworn, continues his deposition as follows:

BY MR. OLIVER:

Q There is one matter upon which I wanted

verification, and that is the contract price, and the final price of these Wolfe Contracts.

A That is, the other two Wolfe contracts?

Q Yes.

A There are three.

Q Three altogether?

A Yes, sir. Mr. Chairman, is it your wish I proceed with this? As I stated this morning, these are contracts which are under investigation at the moment.

BY THE CHAIRMAN:

Q Under investigation for civil purposes?

A There is evidence here of engineering frauds, you know, and charges against certain contractors. Do you want me to proceed with the information we have at the moment?

MR. OLIVER: For my part, I am perfectly content. I insist the witness be candid with the Committee, unless the Chairman rules otherwise.

THE CHAIRMAN: If it is simply a matter of evidence for civil proceedings, this Committee has not to worry too much about preserving anyone's position. If it is matter where there are criminal proceedings involved, that may be different.

THE WITNESS: There may be criminal proceedings against some of the parties involved.

BY MR. WREN:

Q Have there been any charges laid so far?

A Not against the Wolfe Construction Company.

BY THE CHAIRMAN:

Q You have told us of one contract. I think it is in the minds of the members that there is a claim by the government for over-payment on one of these contracts, and there are two other contracts, and they would like to know the situation which applies to them.

A The same situation there, applies to the others.

BY MR. OLIVER:

Q What is the amount?

A If I disclose that information --

Q You have disclosed the information with regard to one of them.

A That is correct.

BY THE CHAIRMAN:

Q Perhaps you could answer the over-all question in this way; if there are a number of contracts being examined, in which the government feels they have over-paid, if you give us the number of contracts involved and the amounts of over-payments, the matter might be cleared up, at least for the time being.

If we could have the two figures, the number of

contracts, and the dollars involved.

A The number of contracts is easy to get. The number of dollars involved may be another point.

 If, as suggested, in the brief of the Roadbuilders' Association, ganerally speaking, a number of these contracts are cost-plus, the amount of over-payment is a debatable point.

BY MR. WREN:

Q Is it, in your opinion?

A If you were going by the terms of the contract --

BY MR. OLIVER:

Q Would the terms of the two Wolfe contracts differ from the one you disclosed?

A They are the same.

Q ParticuBrly in reference to these three contracts, you could tell us what the departmental claim is.

A I cannot tell you if there is going to be any thought at all of any assistance as to cost-plus contracts.

Q You gave us a figure this morning of \$192,000?

A Yes.

Q And you tell me now the other two contracts are exactly in the same category?

A Yes.

Q So if you have a figure relating to one,
you must have the figures relating to the other two?

A Oh, I have the figures.

Q What are the figures?

A If I am permitted to give them, I will be glad
to do it.

Q Are the other two more or less, in each case?
It seems to me, Mr. Chairman, each witness we
get is going around in circles.

Mr. Zoller, if you do not want to answer, say
so.

MR. OLIVER: We get so far and then the door
is locked.

MR. BECKETT, Q.C.: He says there is a charge.

THE CHAIRMAN: What are the two contracts?

THE WITNESS: 50-05 and 50-220. I gave you
49-36, this morning.

BY THE CHAIRMAN:

Q This is the Marathon road?

A Yes.

HON. MR. PORTER: This is the Wolfe matter?

THE CHAIRMAN: Yes. We had information regarding
Contract 49-36. We got a certain figure of what was
owed by way of over-payments.

Now, Mr. Oliver has been told that the other

two are in the same class.

BY HON. MR. PORTER:

Q These other two are under investigation?

A They are all in the same category.

MR. OLIVER: We have a figure in relation to one.

HON. MR. PORTER: Perhaps we should not go as far as we went this morning.

MR. COLLINGS: Contract 49-36 was not under investigation.

THE CHAIRMAN: If it is a civil matter only, then I do not think we have any reason for withholding it. If it is a criminal matter which may be involved, that is an entirely different proposition.

MR. MAPLEDORAM: There are people connected with these contracts who are under investigation.

HON. MR. PORTER: I think this should be postponed.

THE CHAIRMAN: There are some people in relation to the other two contracts who are under investigation?

MR. MAPLEDORAM: Yes, I think so.

MR. WREN: You mean, there are charges pending?

HON. MR. PORTER: There are two contracts under investigation, I cannot say what may happen, but I would say these are not contracts into which we should

go at this time.

THE CHAIRMAN: I think we have accepted the statement of the hon. Attorney-General on that , now.

HON. MR. PORTER: I think I can say without trespassing, that I would not like to proceed at this time.

MR. OLIVER: When we get to the gateway of opportunity, we have to stop.

HON. MR. PORTER: I never like to miss an opportunity. I do not know what the "opportunity" is.

THE CHAIRMAN: I put a question a few moments ago which may or may not be one which can be answered at this time. I will repeat it, but do not answer it until we decide whether it should be answered.

HON. MR. PORTER: Mr. Cotnam mentioned to me that when we came to the other two, they were under investigation.

MR. OLIVER: The only contract about which we have information and figures is in exactly the same category as the other two?

HON. MR. PORTER: I do not know whether they are or not.

MR. OLIVER: The witness said they were.

THE WITNESS: I cannot speak of the investigation Mr. Cotnam is making.

HON. MR. PORTER: My understanding is that on the one we discussed this morning, there may be some civil obligation only.

MR. OLIVER: The contract mentioned this morning, was one against which Mr. Zoller said he had a bill for \$192,000, which I do not think he hopes to collect.

One of the other two, has a much larger over-run, as the hon. Attorney-General knows, than the one we discussed this morning, about which he disclosed the figure. So if there was \$192,000 on one, there might be half a million dollars on the other.

THE CHAIRMAN: I think we might get the general picture without going into too much detail, if such a picture is available, and is properly revealable.

BY THE CHAIRMAN:

Q Coming back now to the question, taking into consideration all the contracts you have reviewed, in which you consider the government has paid more than it should have paid, can you give the number of contracts, and, in round figures, the number of dollars involved?

MR. WREN: I would object to that --

THE CHAIRMAN: If you object to the question, I will withdraw it.

MR. WREN: It might cast a reflection on a number of other contractors, who have been scrupulously

honest.

THE CHAIRMAN: Without knowing who the contractors are?

MR. OLIVER: There might be a danger there.

THE CHAIRMAN: Alright; I will withdraw the question.

MR. WREN: Is this a proper question -- and I am asking it of the Chair, and not of the witness -- what is the total over-run of all the Wolfe contracts, and the total amount which the government thinks is recoverable from all the contracts?

HON. MR. PORTER: I do not know that there is any objection to that information. The amount of over-run is public information, is it not?

MR. COLLINGS: He mentioned the amount which might be recoverable.

MR. WREN: I meant the amount considered to be recoverable.

THE CHAIRMAN: That is where Mr. Zoller stopped, a few moments ago.

MR. WREN: Then, is this proper: "What is the amount of the over-runs in these three contracts?"?

THE CHAIRMAN: That is quite proper.

HON. MR. PORTER: I do not see any objection to that, Mr. Zoller, do you?

MR. OLIVER: That is a question you can answer, Mr. Zoller?

MR. BECKETT, Q.C.: I think that is about the same thing. That is skating around the matter. That would be practically the same amount as the amount recoverable.

HON. MR. PORTER: No, no. The amount of the over-runs -- it has never been suggested the whole amount of the over-runs is recoverable.

MR. BECKETT, Q.C.: It might possibly be.

HON. MR. PORTER: The amount we discussed this morning as being recoverable is the amount which had been paid which they ought not to have paid, and which they were not entitled to have been paid.

MR. OLIVER: It is only a 42nd cousin.

HON. MR. PORTER: A large part of their over-runs might be legitimate, for more earth removed than was anticipated in the contract, and was properly authorized.

MR. WREN: We want the total figures. The only objection there might be to this is that we had certain figures as far as this contract 49-36 was concerned, and Mr. Zoller might have figures as far as the other two are concerned.

THE WITNESS: Any figure I might give you,

would give the amount of over-payment.

MR. OLIVER: You mean that we could figure it out for ourselves?

HON. MR. PORTER: I do not know as that is too objectionable. It might be grounds for a civil action.

MR. COLLINGS: Let me state the case. When I used contract 49-36, it was not in this shape at all. I used that because we thought it was not under investigation.

THE CHAIRMAN: Yes, we were assured of that this morning.

HON. MR. PORTER: I do not see any objection to the amount of over-runs being given.

THE CHAIRMAN: Mr. MacTavish, Q.C., is here, and he may have some information to give us. I am not a criminal lawyer myself, and I do not know of anyone in the room --

MR. DENT: "Zeb" Janes is.

THE CHAIRMAN: As I recall, from some little work I may have done in the past, the general principle of protection is to assure the individual that nothing would be done, but I do not know that you have to be so scrupulous concerning granting protection in civil matters.

MR. DENT: I thought it was clearly understood

we were not to investigate any contracts which were under criminal investigation.

THE CHAIRMAN: That is right.

MR. DENT: These contracts are.

THE CHAIRMAN: No, they are not.

MR. DENT: The engineer connected with them is.

HON. MR. PORTER: They are not prepared to say whether the investigation will result in criminal proceedings or not, but they may.

MR. COLLINGS: We have the over-runs on the contracts 50-05 and 50-220.

HON. MR. PORTER: I do not think any of us wish to jeopardize anybody's rights.,

MR. COLLINGS: What other figure could the Department give us?

THE WITNESS: I could give the actual over-runs.

THE CHAIRMAN: If Mr. Collings has the figures --

THE WITNESS: He has the payments.

MR. COLLINGS: All we have to do is subtract one from the other, and we can interpret it.

MR. OLIVER: Let us have the figures, eh?

MR. COLLINGS: Let us have them for contract 50-05.

MR. WREN: I asked the question for the three

contracts.

THE CHAIRMAN: You had better let this be answered now, or you may not get it, if we get into another argument.

THE WITNESS: You want the three contracts in bulk?

MR. BECKETT, Q.C.: We might as well have them separate, now.

MR. DENT: They would not look so large, if we separate them.

BY THE CHAIRMAN:

Q Alright, go ahead, Mr. Zoller. Give it either way you like, but make it clear which way you are giving it.

A I have so many figures here now that I do not know what I have. The total list figures out at \$1,939,000.

Q That is for all three?

A Yes.

Q \$1,900,000-- and what?

A \$1,939,000.

BY MR. COLLINGS:

Q That is the final costs, according to your estimate?

A That is right.

THE CHAIRMAN: What is the total of your figures?

MR. WREN: What is the total paid?

THE WITNESS: \$1,159,000.

BY MR. OLIVER:

Q How much was paid?

THE CHAIRMAN: Mr. Collings is getting that now. Let us be sure we are accurate.

MR. COLLINGS: I will have to be accurate --

BY MR. WREN:

Q Than \$1,939,000. is the total paid, is it?

MR. COLLINGS: From \$3 million. But that was paid, so there is to be recovered by the Department, a little over \$1,100,000.

BY THE CHAIRMAN:

Q Is that right, Mr. Zoller?

A You have the figures now, so I might as well give them to you.

MR. WREN: Now we are getting somewhere.

MR. OLIVER: A long way around, but we are there now.

THE WITNESS: Contract 50-220; the over-payment on that contract was \$519,000.

BY THE CHAIRMAN:

Q Over-payment?

A Yes.

BY MR. WREN:

Q That has been actually paid out, has it?

A Yes, that has been paid out.

BY THE CHAIRMAN:

Q The over-payment, according to your checked figures?

A Yes.

Q That is what you claim.

A That is due now. I will say this much; if this cost-plus comes into the picture, it is a very unfair picture to paint for anybody, if they are going to consider the cost-plus figure.

Contract 50-05 is \$229,000.

BY THE CHAIRMAN:

Q And the third one?

A \$192,000. That is the one you had this morning.

MR. OLIVER: Mr. Collings was not very far out.

MR. COLLINGS: No, I do not think so.

BY THE CHAIRMAN:

Q \$949,000, in round figures?

A About that.

MR. BECKETT, Q.C.: That is right.

BY THE CHAIRMAN:

Q I understand, to be quite clear beyond any doubt of any error, those figures you have given are amounts which the government feels it has overpaid and would be entitled to recover?

A Under the terms of the contract.

BY MR. OLIVER:

Q May I ask this question? Was there any other contract besides those three upon which the government claim over-payments?

A Oh, yes.

Q How many?

THE CHAIRMAN: Mr. Wren wanted me to withdraw that question.

MR. OLIVER: I will decide whether it should be withdrawn.

MR. BECKETT, Q.C.: If they are under investigation --

THE CHAIRMAN: I asked that very question, and you felt it would be unfair.

MR. WREN: You wanted the total of all bids, and the amounts paid on all contracts.

THE CHAIRMAN: You must have misunderstood me. I asked for the number of all the contracts on which the government felt they had a right to claim re-payment, and Mr. Oliver said he thought it would be unfair.

MR. OLIVER: I want to press that. I think it is perfectly legitimate, in spite of what has been said before.

THE CHAIRMAN: If you do not name the

contractors concerned, you leave the names of people with no interest at all, under a cloud. That was what I thought was the objection to my question, and I withdrew it.

MR. OLIVER: The witness has already said there are other contracts, and I want to find out how many there are. I do not see how that would be objectionable.

THE CHAIRMAN: I withdrew the question, because I thought the Committee felt I should not ask it, and not give the names of the people.

MR. OLIVER: I want to press that question, unless you over-rule me, Mr. Chairman, as to how many contracts there are against which the government claims there are over-payments.

THE CHAIRMAN: Do you feel it is fair enough to get the figure without naming the people?

MR. WREN: I have no objection to that. I misunderstood your question. I thought you meant the total over-all bids, against payments.

I have no objection to the question being asked specifically about certain payments -- none whatever.

THE CHAIRMAN: Do any other members of the Committee feel it is fair to just get the number and the

dollars, without going into details? I thought Mr. Wren took objection to that, because he thought the names would not be disclosed.

MR. BECKETT, Q.C.: If that were the end of it, alright, but that would lead to another question, "Who are they?".

MR. OLIVER: Why should it not?

MR. WREN: That is proper, later on.

MR. OLIVER: These three contracts; they say there is danger of one being before the courts. The others my friend may give me are not before the courts, so if we get the information of one that was in danger of being before the courts, why not get the others?

HON. MR. PORTER: If not before the courts.

MR. OLIVER: Yes.

HON. MR. PORTER: There is a great distinction between going into some of the explanations of these over-payments which have been made involving falsifications.

I think our decision related to not touching upon something which might be in the nature of falsification, which is a criminal act.

But I think it is a different matter entirely merely to go into the question of how much the Department claims has been paid in over-payments, without touching on some of the means by which these over-payments were

brought about. If the question is directed to the amount of over-payments and the names of contractors to whom those over-payments were supposed to have been made -- after all, it is only a claim of the Department; the Department might not succeed -- it is really in the nature of a civil claim, but in some cases there might have been some falsifications. It is those possible falsifications we should not go into at the present time.

I do not see any objection to having the amounts of the over-payments. It seems to me it might clarify matters, if those figures were put forward.

BY HON. MR. PORTER:

Q That is, Mr. Zoller, if you are able to tell us.

A Let me say this: in connection with some of these contracts, we have not as yet got the final figure. In some of these contracts on the Atikokan road, they are in the process of being finalized in Fort William, and until they are available in Toronto, I cannot give you the accurate figure of what the over-payments might be.

On the same highway, there are the costs as given by the Harvey Construction Company. Then there is the question of classification. I cannot tell whether there were over-payments, unless the classification

is decided.

BY THE CHAIRMAN:

Q You are giving it with the qualification that there may be others?

A There may be, or there may not be.

BY HON. MR. PORTER:

Q Could you confine your answer to certain specific contracts, where the amount of the Department's claim has been pretty well decided upon by the Department?

A Before I give that information, I would like to go back to my records, and get the ones I can absolutely establish. That is what I would have to do.

BY THE CHAIRMAN:

Q What you are going to do for this Committee is to give us the number of claims, which, at the present time, the Department feels it over-paid on the work which has already been done, and review it, to show there are monies owing to the Department, and you will give us the details of those amounts you are reserving, any contracts which are still under review, and upon which you cannot give a complete answer.

MR. OLIVER: It would not be a complete figure.

HON. MR. PORTER: No, it would give us some conception of it, though.

THE CHAIRMAN: I think this information of

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a general nature is all with which we can concern ourselves at the moment.

MR. JANES: I think we have gone too far to stop --

THE CHAIRMAN: In regard to talk of that sort; I do not think you should say this Committee has gone too far to stop. This Committee has a definite duty, and I am sure you are just joking, Mr. Janes, but it will not look very good in the record.

MR. JANES: We tried to find out unsuccessfully how these came about, and I think we should make enquiries as to who can answer that question.

THE CHAIRMAN: The Department must take the responsibility for seeing we are properly informed, and decide who are going to give evidence, if there has been anything said here it wants to refute. That is wide open.

If these figures are given by one branch of the Department, and some other branch has some point which they think should be brought before the Committee, why, certainly, it should be brought.

At the moment, Mr. Zoller, as the Comptroller, will get certain figures, and I presume we could have them the first thing in the morning.

THE WITNESS: Yes .

THE CHAIRMAN: Then I suggest the Committee adjourn now until ten o'clock tomorrow morning.

(Concurred in).

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---Whereupon the further proceedings of this Committee adjourned until Wednesday, June 30th, 1954, at 10:00 o'clock in the forenoon.

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P R O C E E D I N G S

of the Select Committee of the Ontario Legislature appointed to enquire into matters concerning certain Divisions of the Department of Highways.

MR. A. KELSO ROBERTS, Q.C., CHAIRMAN

PRESIDING.

MR. V. J. JOHNSON, SECRETARY.

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VOLUME XXIV

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Toronto, Ontario.

Wednesday, June 30th, 1954.

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T W E N T Y - F O U R T H D A Y

Toronto, Ontario,
Wednesday, June 30th, 1954.
10:10 o'clock, a.m.

- - - -

The further proceedings of this Committee
reconvened pursuant to adjournment.

PRESENT:

Mr. A. Kelso Roberts, Q.C., Chairman,
Presiding.

Hon. Dana Porter, Q.C. (Attorney-General)

Messrs. Collings,

Janes,

Mapledoram,

Dent,

Oliver,

Wren,

Grummett, Q.C.,

Mr. L. R. MacTavish, Q.C., Committee Counsel

Mr. V. J. Johnson, Secretary.

APPEARANCES:

Hon. G. H. Doucett, Minister,
Department of Highways.

Mr. M. A. Elson, Deputy Minister,
Department of Highways.

MR. W. A. Clarke, Chief Engineer,
Department of Highways.

Mr. C. A. Robbins,	Chief Engineer of Maintenance, Department of Highway.
Mr. Duncan Gordon,	Management Consultant.
Mr. Donald McQuigge,	President, Ontario Roadbuilders' Association.
Mr. D. H. Storm,	Vice-President, Ontario Roadbuilders' Association.
Mr. W. M. Philpott,	General Manager, Ontario Roadbuilders' Association.
Mr. H. A. Tregaskes,	Engineer, Trans-Canada Highway, Department of Highways.
Mr. J. L. Zoller,	Financial Comptroller, Department of Highways.
Mr. J. D. Millar,	Deputy Minister, Department of Public Works.
Mr. Thomas Mahoney,	Secretary, Ontario Good Roads Association.
Mr. R. D. Jennings, Q.C.,	for the Standard Paving Company.
Mr. H. A. Cotnam, F.C.A.,	Provincial Auditor.
Mr. George Spence,	Assistant Provincial Auditor.
Mr. Peter Wright, Q.C.,	for the Hon. Mr. Winters, Minister, Department of Public Works, Ottawa.
Mr. T. M. Medland,	for the Professional Engineers Association.
Mr. Fred Duncan,	for the Liberal Party.

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THE CHAIRMAN: Gentlemen, I will call the meeting to order.

Our Secretary, during the trip recently made, prepared minutes from time to time of the proceedings for those parts of the trip when we did not have the Hansard reporter, and I think it would be advisable to insert in the printed record the Secretary's minutes. They are fairly extensive. I have gone over them and they seem to me to be a very fair record of what happened from time to time.

Later in the day, if the Committee wants them read, that may be done.

MR. OLIVER: I think really they should be read.

THE CHAIRMAN: Then perhaps we had better defer that for the moment, and if we have a little time later on in the day, we can revert to this again. There is quite a bit of reading involved, and before they are made a part of the record, they will have to be read.

When we adjourned last evening, Mr. Zoller was going to get some figures, and the procedure I expected to follow would be that Mr. Zoller would continue his testimony, and then I presume the hon. Minister of Highways (Mr. Doucett) will take the stand.

Is Mr. Zoller here at the moment?

MR. ELSON: No, he is not, Mr. Chairman.

I am informed this is the morning Mr. Zoller had to go to the hospital for treatment, but will be back about 10:30.

THE CHAIRMAN: Is there anybody else with the required information in the room at the moment?

MR. ELSON: No.

THE CHAIRMAN: Honourable Mr. Doucett has just come in. I do not know whether he would prefer to have Mr. Zoller finish his testimony before we go on to the next step, or whether he would like to proceed now.

Would you prefer, Mr. Minister, having Mr. Zoller finish what he was doing? He was going to produce some figures to the Committee.

HON. MR. DOUCETT: It might be well. I will agree with whatever the Committee wishes, Mr. Chairman.

THE CHAIRMAN: You think, Mr. Elson, that Mr. Zoller will be here in about ten or fifteen minutes?

MR. ELSON: I just received a message he is on his way over.

THE CHAIRMAN: Then we will not interfere with the continuity of the proceedings.

MR. OLIVER: We might read the minutes at this time.

MR. COLLINGS: I would move, Mr. Chairman, that we insert the minutes by the Secretary into the Hansard report, subject to confirmation at the next meeting.

THE CHAIRMAN: That might be an easy way of doing it.

MR. GRUMMETT, Q.C.: I thought it was understood a moment ago we were going to read them?

THE CHAIRMAN: Mr. Collings now moves that they be put into the record, but not be adopted until approved. The alternative would be to send out copies to all the members.

MR. GRUMMETT, Q.C.: How many pages are there?

THE CHAIRMAN: Twenty-five or thirty pages.

MR. COLLINGS: Before we have our next meeting, we will have received copies of the transcript.

THE CHAIRMAN: The easiest way would be to put them in Hansard.

MR. OLIVER: They could be filed, for the moment.

THE CHAIRMAN: There is information in there which perhaps you all would like to see. There was only a certain percentage of the membership of the Committee who went right through and attended all the

meetings, and know what took place. There were certain proceedings had which the others would not know about except through a record of this sort. It is just a matter of convenience to the members. I am quite prepared to follow the wishes of the members of the Committee.

I see that Mr. Zoller is here now. Perhaps we might leave the minutes for the moment. If we get some time later in the day we might take them up again.

Mr. Zoller, would you resume your testimony, please.

J. L. ZOLLER,

Financial Comptroller, Department of Highways, previously heard and now recalled, who having been already sworn continues his testimony as follows:

BY THE CHAIRMAN:

Q Mr. Zoller, you left yesterday afternoon, at the adjournment, to get us some figures?

A That is right.

Q Have you now obtained them?

A They are certain figures for which you were asking for yesterday?

Q Yes.

A Yes, I have those figures.

BY MR. WREN:

Q Will you explain what you are reading, so there will be no misunderstanding as to what it is.

A When I left yesterday I understood I was to get the number of contracts we figured had been over-paid, with the approximate total of the overpayment. Is that correct?

BY THE CHAIRMAN:

Q Just on the basis of the contract? You stipulated that?

A In connection with the terms of the contract.

I think I should explain again here that in this connection there will no doubt be claims from contractors, which would be ordinarily submitted and paid for by these other methods. If we are going strictly by the terms of the contracts, there will be claims coming in which, no doubt, will be legitimate, and the Department will have to pay some money for the work performed.

For instance, if we stick to the terms of the contract of the Trans-Canada Highway, I think the contractors would have legitimate claims. That will have to be taken into consideration when final settlement is taking place.

If the Committee will keep that in mind, the

figures I will mention here will be the maximum figures, and, in the end, will be considerably reduced.

BY MR. MAPLEDORAM:

Q What do you say as to what procedure will be used?

A I cannot tell what it will be, until after the court cases are completed.

BY THE CHAIRMAN:

Q You are saying, in effect, that while you have taken the very outside figures, you think there will be some credit due along the line in some cases?

A No doubt about that. What those credits are, I have no way of knowing at the present time.

 The figures I am giving now are the maximum amounts, and they will, no doubt, be considerably reduced.

BY MR. WREN:

Q The maximum amount of overpayments?

A That is right.

BY MR. MAPLEDORAM:

Q But they will be reduced?

A Yes.

BY THE CHAIRMAN:

Q All right, with that understanding, please proceed.

A Sixteen contracts, and approximately \$2½ million.

BY MR. WREN:

Q Does that include the Wolfe contracts?

A That includes the Wolfe.

BY MR. JANES:

Q That is rather an unfair figure. You say it will be considerably reduced? Can you estimate by how much it will be reduced?

A I cannot give any estimate of that.

Q Twenty-five percent or fifty percent?

A I would not like to guess at all. No doubt these contractors will be submitting their accounts, and they will have to be considered on the basis of work performed, and all the facts considered.

BY MR. WREN:

Q And, alternatively, you might find there were more overpayments, in the settlement?

A No. As far as we have gone, this is the maximum.

MR. COLLINGS: So the extras of \$16 million of overpayments was reduced by \$3 million?

MR. WREN: That was over-runs.

HON. MR. PORTER: The extras are given by these figures.

MR. COLLINGS: The \$16 million would be reduced by \$3 million?

MR. WREN: That is an illustration of where we have, by loose methods, overpaid people \$2½ million.

The \$16 million was referred to by the Provincial Auditor as "over-runs".

MR. COLLINGS: So we received full value for our money, less about \$2½ million?

MR. WREN: You have not established that as yet.

HON. MR. PORTER: It has been fully and fairly explained, I think, in order that people would understand the difficulties.

MR. JANES: The people in the northern ridings were satisfied with the roads, and wanted more of them.

HON. MR. PORTER: If those people had not been asking for roads in such a hurry, this might not have happened.

MR. COLLINGS: That is good news, Mr. Chairman.

BY MR. OLIVER:

Q That was over what period of time, Mr. Zoller?

A That Wolfe contract was 49-36. That is the one about which we spoke yesterday.

Q Those figures take into consideration the full life of the contract?

A Yes.

MR. MAPLEDORAM: And 1953?

MR. OLIVER: Yes.

BY MR. OLIVER:

Q And a similar condition prevails with respect to the other contracts?

A That is right.

BY MR. WREN:

Q Have you any figure of over-runs during that period?

A I have not it with me. It can be obtained. I was not requested to secure that.

THE CHAIRMAN: I think that is very helpful.

MR. COLLINGS: That clears up a great deal, Mr. Chairman.

BY MR. MAPLEDORAM:

Q You are not sure what method will be used to settle these accounts?

A No, I am not sure of that.

BY MR. OLIVER:

Q You are not sure you will be able to collect them?

A I cannot say.

BY MR. COLLINGS:

Q As far as your department is concerned, you have instituted methods in your department to thoroughly

check future contracts?

A That is correct.

BY MR. JANES:

Q You have auditors representing you in most divisions?

A We have auditors in all divisions. We have engineering auditors going out and auditing engineering matters.

BY MR. COLLINGS:

Q The system has been tightened up?

A Yes.

MR. OLIVER: Better late than never.

BY MR. MAPLEDORAM:

Q What is your opinion of having an auditor in the division?

A I am in agreement with Mr. Gordon, that we should not have auditors located in the divisions, permanently.

Q If they are auditing the whole area? Let us consider the northwestern section. I am going along on the basis of something like the Hydro set-up.

A I think we should not have an auditor established for more than one or two years. I think he should be moved around.

MR. JANES: That is right.

THE WITNESS: I do not think he should be established there, permanently.

BY MR. MAPLEDORAM:

Q I agree with that, but there should be somebody on the job all the time.

A We will have an auditor in, checking, before we get through.

Q That is not the impression I received when we spoke to the Accountant in the Fort William office. I think the Committee will agree on that.

A They just made a close check of Kenora and Fort William.

Q I am not saying anything about that, but I do not agree with the method.

BY MR. WREN:

Q The Accountant, as we learned, was not very familiar with the field work. He is doing the processing work in the same office?

A His main duty there is to keep things moving. After things become settled, he will likely have more chance to get around outside.

BY MR. COLLINGS:

Q That is Mr. Lobraico?

A Yes.

MR. COLLINGS: I was very much impressed with him.

THE CHAIRMAN: So was I.

THE WITNESS: He is just getting started --

BY MR. MAPLEDORAM:

Q I am not questioning his ability; I am questioning the method put in by the Department.

THE CHAIRMAN: We were discussing whether or not a little more responsibility should be put on the local Accountant, in order that he would know more about the figures he was going through.

THE WITNESS: He can obtain that information in the Division Office.

BY THE CHAIRMAN:

Q Should he not check up the figures before passing them?

A The first check, as far as over-runs, is in his own hands. He is definitely charged with the responsibility of seeing there are no over-runs of any kind. He has to see that no payments or commitments are made, if there is going to be an over-run.

Q I got the impression that all his duties consisted of was processing the accounts.

A Oh, no.

THE CHAIRMAN: That was the impression I gained.

BY MR. WREN:

Q Yes. He said when he got the progress figures all he did was to distribute them.

A It is his duty to see that there is no over-run. He is not supposed to send any accounts in here, if there are going to be over-runs, until a proper certificate is prepared by the Engineer.

BY THE CHAIRMAN:

Q If those instructions are in existence --

A He may not be familiar with them, as he just went out there, but these have been in force for eighteen months.

BY MR. JANES:

Q That is an entirely new set-up in the Department of Highways?

A Oh, yes.

Q You never had it before?

A No, we never did.

BY THE CHAIRMAN:

Q I am glad to know you contemplate giving the local Accountant more authority to examine the accounts.

A He has that instruction.

BY MR. COLLINGS:

Q That goes out in a letter of instructions?

A Oh, yes, definitely.

BY MR. OLIVER:

Q May I ask you if you can tell the Committee in what state these sixteen contracts are at the moment, in respect to completion? Do you know how many are completed?

A With the exception of the two on the Atikokan road, they are all completed.

Q Are the Wolfe contracts all completed?

A Yes.

Q And all but two on the Atikokan road?

A There is very little work left to be done. Perhaps Hewitson has a little more to do.

BY MR. MAPLEDORAM:

Q It is just putting on the finishing touches?

A That is right.

---- The witness retired.

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HONOURABLE G E O R G E H. D O U C E T T,

Minister, Department of Highways (Ontario), called,
and being duly sworn, testified as follows:

THE CHAIRMAN: We shall be very glad to hear
what you have to say, Mr. Minister.

THE WITNESS: Mr. Chairman, I have a short
brief which, with your permission, I would like to follow.

"I think I should take this opportunity of
making a brief statement to this committee, to clear
up certain points which have arisen. First, I might
make a few remarks as to the situation in the North.

"In September last officials of the Depart-
ment of Highways discovered evidence of irregularities
in the Fort William Division. On October 7th I made
an announcement to the press relating to the suspension
of eight of the Department's employees in this division.
The total staff there is normally about two hundred.
The investigation here was headed up by Mr. J.L.Zoller,
Departmental Comptroller. Six auditors and two
engineers were assigned to assist him.

"On November 27th I announced the suspension
of the Divisional Engineer at Fort William. I remarked
at this time that the investigation was being prosecuted
with the utmost vigor under the direction of Mr.Zoller,
associated with Provincial Auditor, Mr. H. A. Cotnam.

"The resources of the Government were brought
to bear in this investigation with results with which

"you are all familiar. I think it is quite clear to this committee that when irregularities were discovered we proceeded to deal with them without delay.

"I scarcely need assure you, Mr. Chairman, that the detailed and comprehensive report of Messrs. J. D. Woods and Gordon, Ltd., has been and is being most carefully studied by myself and by the senior members of the staff. Very many of the proposals in the report were entirely in accord with the views of the staff. To mention just one item, I would say that the establishment of a planning organization on a formal basis will constitute a generally welcome and constructive measure.

"Again, the report of Messrs. J. D. Woods and Gordon, Ltd., touches on the subject of more effective contact between the Head Office and the Divisional offices. This of course, involves additional supervising personnel, and here we are in a fair way to correct whatever inadequacy may have existed. At an early date we expect to be able to announce the appointment of a thoroughly experienced personnel manager.

"After the late war we found it impossible to secure in sufficient numbers various classes of

"technical help, for example, draughtsmen, surveyors, etc. We found it necessary to inaugurate our own training programme which has met with some success. This programme we shall enlarge as our revised personnel organization swings into action.

"The immediate post-war years ushered in Ontario's greatest period of expansion, with correspondingly great demands on the Department of Highways. During the war years contract work was at a relative standstill which meant a huge backlog of arrears. I mention these matters simply as matters of fact. Almost over night, so to speak, we had to expand our annual programme from around \$30 millions a year to something like five times that sizeable sum. Perhaps I can put it in another way.

"From 1948 to 1953, inclusive, there were let 1,538 contracts by the Department, and I have been informed that in approximately 75 per cent of them there was little or no so-called over-run.

"On the subject of pre-engineering, let me say this. A maximum amount of pre-engineering is an ideal to be sought. In ~~these~~ recent years pre-engineering has been limited by the number of staff available. In other words, the urgent necessity

"of building new highways and rebuilding existing highways was, I think I may safely say, the paramount consideration. As our reorganization measures proceed, as we get together the staff to accomplish what we want to accomplish -- then long range, advance planning and adequate pre-engineering will feature our methods. But whatever criticisms are evoked, whatever irregularities of whatsoever nature are disclosed, I am going to give wholehearted credit to a hard working and conscientious staff for accomplishing a monumental task which they continue to carry on. It has been no easy job to accomplish the amount of work we have accomplished in the face of shortages of staff and until recently, many lines of essential materials.

"At this point there is another feature I should draw to your attention. I do not recall that it has been mentioned before and perhaps this is as good a time as any to raise it. It is this. I suggest that the Ontario taxpayer in the matter of highways has received and is continuing to receive good value for his money. Our engineers can give you data which will stand up should you ask them, but I say this, per cubic yard of earth or rock excavation, per yard of concrete, or per ton of black

"top put in place, our operations will stand comparison with those found anywhere. And this goes likewise for the quality of our roads.

"Here, I should like to make a brief reference to the comprehensive and thought-provoking presentation made to this committee by the Ontario Road Builders' Association. Many points are raised which I suggest might be the subject of discussion by qualified engineering authority. I have already spoken of the desirability of adequate pre-engineering so I shall not reiterate on this theme. I might add, however, that for the past year and a half we have been able to accomplish adequate pre-engineering with respect to jobs called during that period.

"I do not propose to attempt to analyse the brief submitted by the Ontario Road Builders' Association. The construction industry in general, of which the Road Builders constitute a very important branch, has made an enormous contribution to the development of this country. No one appreciates this elementary fact more than myself. But there is one point to which I must register very definite objection. Reference is made in the Roadbuilders brief (Page 16) to 'Work awarded at ridiculous prices.' It was also stated in evidence the other day that I had

"admitted that contracts were being let at unrealistic prices.

"These allegations I must categorically deny. When the conditions of the tender are met, it would seem to me that I might be under severe criticism should a specific job be awarded other than to the lowest tenderer. Again, if jobs are let at 'ridiculous prices,' may I ask who makes these 'ridiculous prices?' In all kindness I suggest that here the fault, if any, lies not with the Department of Highways but with the contracting industry or perhaps I should say with certain members of the industry. I have heard, I suppose, scores of contractors complain about 'ridiculous prices,' but that is their statement, not mine, and this I wish to make clear.

"Again, if there has been falsification of records, such action has been entirely without the scope of my knowledge, and most certainly without my approval. On this point I wish to make myself as clear as my knowledge of the English language permits.

"Again, referring to the brief of the Ontario Roadbuilders' Association, some confusion has apparently been caused by reference to cost plus as against unit price contracts. I think my Deputy

"Minister, Mr. M. A. Elson, might profitably clarify this point.

"Here, also, I think I should interject this remark, namely, that the practice of awarding extensions to existing contracts, a practice which was an accepted one for several years, was brought to a termination when this government took office.

"I should like to say this in conclusion. The work of this committee is of a highly constructive nature. Out of its deliberations will come, I am sure, many concrete proposals which will enable the Department of Highways to accomplish a better job of providing adequate highway facilities for the people of Ontario.

"There is another pleasant feature which I think I should mention. During my tenure of office I have given everything I have of energy and ability to carrying on the work of my department. It has been no easy task at times. We are all of us familiar with the rough and tumble of politics, but so far as I am aware there has been no suggestion of any kind from any quarter that I have in any way profited personally by reason of my office nor of the fairly large affairs which pass through my hands. And with a clear conscience, I can declare that this confidence is justified."

And I assure you, Mr. Chairman, that regardless of what comes out of this Committee that is of a constructive nature, and will help us in the Department of Highways to improve this system we already have, will receive the most careful consideration. I think, from the system that is being set up, there will be no recurrence of what you are investigating to-day.

I thank you.

BY THE CHAIRMAN:

Q Mr. Minister, there are one or two questions which I think to clear up certain aspects of this investigation, it may be advisable to be asked of you.

One question upon which we would like to get your views is: When did you first become aware of irregular practices which are alleged to have been proceeding for some time in some parts of the Province, particularly in the Fort William Division?

A Mr. Chairman, I regret I cannot give you the exact date. I would say sometime in the latter part of September.

Q Of what year?

A Nineteen fifty-three. I made the release just as soon as it was confirmed -- on October 7th.

Q Then, the other question which would follow from that: Did you condone any of those practices?

A I just made the statement in the brief that none of them was to my knowledge.

Q You have already said in your statement you made no profit of any sort?

A That is right.

BY MR. OLIVER:

Q Mr. Minister, this morning your Chief Accountant, Mr. Zoller, gave us figures which would indicate that over the lives of these sixteen contracts, we had paid, as a government -- and you as a department -- some \$2½ millions beyond the price you now feel was justifiably due the contractors.

I think the Committee should have, Mr. Minister, your conception of how this could happen over that length of time; why it was not discovered over the many months which elapsed, many months in which you were making payments to those contractors which were not due to them.

What is your explanation of how this was allowed to go on so long without some of your officials finding out there were overpayments, all along the line?

A That is a very difficult question, Mr. Oliver. As I would explain it, the only answer of which I know is that the employees who were in charge of the payments here figured they were quite legitimate.

I presume -- and I am making this statement

without engineering information -- that they had on record a D-4, which assured them that this extra work was needed and was in line.

Q Yes, but, as I understand it, Mr. Minister -- and you can correct me if I am wrong -- the duty of your Toronto officials in the office here is not to automatically approve the statements which come from the Division Offices, but they are supposed to exercise the prerogative of checking them in some way to determine whether the statements coming from the Division Offices are authentic.

Are you telling the Committee that over these many months your Departmental officials have passed these statements which were incorrect, and at no time, over the many months, were they concerned, and at no time were they suspicious there was incorrectness in these progress statements?

A I think you will have to ask the officials. I think they were concerned to the extent that they had sent men up for extra checking -- I stand subject to correction on this, Mr. Chairman -- and they also had the Division Engineer down to the Toronto office. They must have been satisfied, or the payments would not have been made.

I have every confidence in those men who were handling that here, that they would not pay them, unless they were satisfied.

BY MR. WREN:

Q Mr. Minister, yesterday we had evidence to the effect that one particular firm was overpaid almost \$900,500, and in trying to determine who had authorized these overpayments, we received conflicting evidence from senior officials from your office. There was a difference of opinion amongst these witnesses as to which official would authorize these ultimately, and I, at least, was not satisfied with the final answer as to who had actually authorized the payment of these sums of money in the Department's Toronto office.

Could you tell me who did it; who was responsible?

A I cannot answer that, because that is an administrative problem, and surely there are people here who can tell you.

Q Are you suggestion to me that, as Minister of Highways, and as the Minister charged with the responsibility of administering your Department, that you do not know who would or should authorize amounts of money running into the hundreds of thousands of dollars?

A Yes. I think one of the officials explained

that very well. I think the Chief Engineer told you yesterday what the system was, and I am sure Mr. Zoller can tell you that.

Q He told us yesterday he did not know who had authorized these overpayments.

A I can assure you it was not me.

Q Who did it, or who should have done it?

A That is an internal matter.

There is the system as we have it now, as explained by Mr. Clarke, but what it exactly was then, I am not too positive. One of the Accountants can tell you that.

BY MR. OLIVER:

Q You, as Minister, say there is one thing you are sure of, and that it was not you?

A That is right.

Q Then I would say to you, Mr. Minister, that therein lies one of the greatest weaknesses.

I can understand, if a contract only ran over ten percent or twenty percent, the Minister would not be too concerned, but would leave it to his administrative advisers, but when these contracts run over by two hundred percent or three hundred percent, surely there would be no person responsible but the Minister of Highways, and it should not be left to any administrative adviser at all.

A In these particular contracts, as explained, there were a great many factors, and the one regrettable factor, as explained, I think, by Mr. Tregaskes the other day was the change which made it very complicated. It was a very regrettable thing.

BY MR. WREN:

Q Do you not think it is your responsibility, as a Minister of the Crown, to devote your full time to the affairs of this Department, and in matters of moment, such as these, to make your own personal investigations and observations?

A I think, Mr. Chairman, I have answered Mr. Wren's question by saying that if any man has ever tried to put his whole time on to this job, I have.

I have given of my best, and if I have missed out on something -- well, I have tried to do the best job I could.

Q I would suggest, if the hon. Minister had only been in the office for a year or two, and matters of considerable importance such as these overpayments, had taken place, I would say he was not fully aware of the functions and work of his Department, and perhaps somebody did "slip something over on him". But when a man has been in office, I think eleven years, Mr. Minister --

THE WITNESS: It is over ten years.

MR. WREN: -- Ten or eleven years, I would think the man would be right "on top of his job", and I, quite frankly, cannot understand how one firm would be overpaid nearly a million dollars in over-runs or over-payments.

HON. MR. PORTER: Perhaps you will know better some day, when you are in office.

MR. WREN: You agree, then, that we will be in office?

MR. OLIVER: You also agree when we are in office, things will be better.

HON. MR. PORTER: Your hopes should not be raised too much.

MR. JAMES: Mr. Oliver know, if Mr. Wren does not, that no Minister knows anything about these contracts, unless they are brought to his attention. I know that from personal enquiry.

MR. WREN: You suggest a Minister should not make it his business to go through a Department.

THE CHAIRMAN: Gentlemen, the hon. Mr. Doucett is here to answer questions. I suggest we have no discussion.

MR. WREN: I would like a direct answer from the hon. Minister.

THE CHAIRMAN: Will you put your question again, please?

BY MR. WREN:

Q Do you know who authorized the over-payment of almost one million dollars to the Wolfe Construction Company?

A Well, as I say, I would prefer you have our financial man --

Q Will you answer my question? Do you know or do you not know?

A I cannot say exactly. I would say it would be the usual routine that has gone on, and it was authorized by -- I think, first, it is authorized by the Chief Engineer.

Q "You think"? Is it?

A It is sent in from the Division, and from there it goes down the line. There are so many now -- I think four or five -- who have to sign it, that it is a little confusing to remember the whole thing.

I would rather you would get one of the forms, and see it exactly for yourselves.

I do not want to evade this, but I am not positive of it, Mr. Chairman. Is that fair?

Q We have examined the forms, and we have examined your Officials, and your present Chief Engineer stated yesterday he did not know who would have authorized amounts up to this sum.

If the Chief Engineer does not know, there are only two persons senior to him, that is, the Deputy Minister and the Minister.

A I think it was explained yesterday if there is a 25-percent. over-run, it must be brought to the Minister's attention.

Q Then, was the Wolfe Construction account brought to your attention?

A No. I have already answered that. At the time it was paid, no.

BY THE CHAIRMAN:

Q Mr. Minister, do you say that practice was in force during the period of these contracts?

A No. I say you would have to look into the records. I think probably eighteen months ago it started.

Q Was there no reference to you -- no matter what the amount -- previous to this new arrangement?

A Well, rarely, unless there was something important. I cannot recollect these contracts.

In fact, the Trans-Canada contracts were handled in a little different way, I think, perhaps to what some of the rest were.

Q Do you remember if Mr. Millar came to you?

A I think he will certainly have the answer.

I had every confidence he would carry out the administration when it was handed to him, when the contracts were let.

BY MR. WREN:

Q Did any person other than your officials ever approach you about the Wolfe account?

A No, not that I know of.

Q Did the widow of the late head of the firm ever visit you in your office?

A Yes.

Q To discuss these accounts with you?

A No.

Q Are you sure of that?

A She never discussed the accounts. The son discussed them with Mr. Zoller and myself. That was after this whole thing came up.

BY MR. OLIVER:

Q Did you approve the over-runs, with them at that time?

A No. At that time the Bonding Company -- and you will have to get the exact details on that -- authorized Mr. Zoller to issue a cheque for the unpaid wages. I thought that was right.

BY MR. WREN:

Q During your conversations with the owner and these other people, you never did intimate to them in

any way that there was any approval of over-runs, or over-payments of accounts?

A It was not even discussed until they came in wanting money to pay their men, just previous to Christmas, 1953. They said they wanted some money, as the men were pressing them at that Season.

Q What was the state of their account at that time?

A Again I must say I think he said he was owing about \$20,000 in salaries.

Q In what shape was he with the Department? Was he over-run?

A We had not made the check at that time; it was not complete.

BY MR. GRUMMETT, Q.C.:

Q Were you suspicious at that time?

A Oh yes. We were working on it, and we would not make any further payments, but the Bonding Company authorized it. Mr. Zoller can tell you exactly what it was.

BY MR. WREN:

Q He wanted some \$20,000 to pay some wages?

A I did not approve it. The Bonding Company, by letter, approved the payment to Mr. Zoller, and

Mr. Zoller issued the cheque, on their authority.

BY MR. OLIVER:

Q Did you ask the Bonding Company to come into the picture at that time?

A No, I did not.

Q How did that procedure develop?

A I cannot tell you exactly, but I think Mr. Wolfe himself made the arrangement with Mr. Zoller. I am not sure about that.

BY MR. WREN:

Q You stated in your brief, Mr. Minister, that at no time during your administration had there ever been any extension of contracts -- that is, added work?

A That is right.

Q Was that not done on the Red Lake Highway?

A No. The Red Lake Highway was under so many contracts. That is a question which Mr. Millar can answer. It was finished accordingly.

Q There was no extension?

A No. It was all let from the starting point to Red Lake Village.

Q In that connection, we have had evidence before this Committee that the plans and materials relating to that highway were destroyed by some person.

A No, I did not hear that.

Q Do you recall we were questioning Mr. Gotnam, and he said he did not know whether that would be a criminal offence or not, that it would depend on how it was done? Were you aware that these plans had been destroyed?

A Not until I read it in the papers.

Q What have you done to check the authenticity of that information?

A That is another question which Mr. Millar can answer. We have taken care of the future. There were certain orders or records which were administrative, as were records and important documents.

Q What have you done about this particular matter?

A I cannot answer what has been done. That is a matter of administration.

Q I insist on an answer. What has been done about the destruction of those records?

A I do not know that anything has been done up to the present time, that is, other than making an investigation.

Q Am I to understand that, as a Minister of the Crown, when it came to your personal knowledge that vital documents and records had been destroyed, nothing would be done?

A Oh yes. As I say, that is under investigation.

Q By whom?

A By our officials.

Q By what officials?

A Well, we have an investigating committee which is doing some of that. Mr. Cotnam and Mr. Zoller, as I said in my report, were appointed to investigate this whole thing. Probably I should be able to give all the details of that, but I have not received them as yet.

BY MR. OLIVER:

Q When you learned there had been documents destroyed, you recognized that as a serious matter?

A Most definitely, Mr. Oliver.

Q Did you, at that time, because of the seriousness of that matter, issue a special directive that this matter was to be pursued to the ultimate end?

A I might say I made a very careful examination of all our Division Engineers a few days after we discovered this, to see if anything like that had happened.

That was since that time -- I cannot tell you the date -- that this first came out.

Q You are not in a position to give the Committee any more information than it has received previously?

A No.

BY THE CHAIRMAN:

Q Information was given to us in the north country,

and I think it was mentioned to us here yesterday or the day before, that a fire had taken place in Kingston, and did a considerable amount of damage, and documents might have been destroyed that way -- or in another way altogether.

If they were destroyed in the ordinary way, the Committee should receive information on that.

A I will see that the information is forthcoming to you.

BY MR. OLIVER:

Q The fire mentioned by the Chairman as one in which records were destroyed, and the one mentioned by Mr. Cotnam, are not one and the same.

THE CHAIRMAN: I was led to believe they were one and the same. I think there should be no mystery about this.

BY MR. OLIVER:

Q Do you know if the records of the Company were destroyed in the fire at or near Kingston?

A No, I do not know from making actual enquiries. I do not think that is right.

MR. CLARKE: We have an answer to that, which you asked for yesterday.

MR. OLIVER: I think we should straighten that up now.

THE CHAIRMAN: Yes, let us get it clear.

MR. CLARKE: A request was made regarding the Harvey Construction Company, and there (indicating) is the reply (handing document to Chairman).

THE CHAIRMAN: I will just look at this for a moment. This is what Mr. McMillan, of the Department, handed you as a memorandum. Perhaps you had better put it on the record, just so it does not go through three or four different hands. Will you state the source of it, please?

MR. CLARKE: Mr. McMillan, on my instructions, called the head of the Construction Company yesterday afternoon, and this is the reply from Mr. H. Brisbin, office manager at Kingston. It reads:

"Mr. Brisbin, their office manager at Kingston, stated their office and records did not burn down.

"Also, all they had on the job was a time office, and their pay-rolls and so forth, were made up in Kingston, and where they now have all the records, and so forth.

"The job up there is closed down.

"They had heard the rumour their office had burned down, and took it as a joke."

That is the reply I received.

THE CHAIRMAN: Does that clear the matter up?

MR. OLIVER: As far as Kingston is concerned, yes.

MR. WREN: But that does not include the Departmental plans and records and profiles concerning the Red Lake highway.

THE CHAIRMAN: You should be able to get an answer to that. I did not understand you were asking about Departmental records.

MR. WREN: Oh yes, Mr. Chairman.

THE CHAIRMAN: Let us have that question again, then.

BY MR. WREN:

Q I will put the question again. Mr. Minister, do you know that the Departmental records concerning the construction of the Red Lake highway were destroyed?

A Not until I heard they had been destroyed, and I am not sure they are all destroyed, until I have a definite report.

Q You are aware that some were destroyed?

A I am aware that there has been the statement that they had been destroyed. There are some in this room who can answer that.

BY THE CHAIRMAN:

Q Who can answer that?

A Mr. Clarke or Mr. Fulton.

THE CHAIRMAN: Gentlemen, we will want a very direct, positive and unequivocal answer on that from the officials concerned, during the day.

BY MR. GRUMMETT, Q.C.:

Q Would they not report to you?

BY MR. WREN:

Q Do you know that certain officers or other persons in the Department of Highways had destroyed government records and accounts of the Highway Department in regard to the Red Lake road?

A Regarding the Red Lake road, you say?

Q Yes.

A I am not positive whether the records of the Red Lake road were destroyed or not, until I receive a further report.

BY MR. OLIVER:

Q You saw in the paper where Mr. Cotnam gave some evidence in that connection?

A Yes.

Q You have no knowledge since that time which would satisfy you there has been any records destroyed?

A I have not had any information since that time.

Q All you know is what you have read in the papers?

A Yes.

BY MR. WREN:

Q You mean you have not anything further? Would you not consider it a matter of public concern, -- you, as the Minister concerned, -- and demand a report on it?

A I want a full and complete report on it.

BY MR. MAPLEDORAM:

Q You have asked for that?

A I want a full and complete report. I do not want any piece-meal report.

BY MR. WREN:

Q How long ago did you ask for the report?

A I would have to check when we discussed it.

BY MR. OLIVER:

Q Did you ask for it by letter?

A No, we discussed it.

BY THE CHAIRMAN:

Q Has the responsible officer a report on that?

A The Deputy Minister is responsible to me.

Q The present Deputy Minister?

A Yes.

BY MR. OLIVER:

Q Was it the Deputy Minister whom you asked?

A No.

BY THE CHAIRMAN:

Q Is there anybody in this room who can give an

answer?

A I cannot say positively. There may be some of the men here. Mr. Clarke might have that information.

MR. CLARKE: There has been a standing rule that records must not be destroyed. When we heard records were destroyed in the Red Lake area, that information was in the hands of those people who were investigating this whole matter, Mr. Zoller and Mr. Cotnam, and it was presumed these people were following it up.

THE CHAIRMAN: When you say "in the Red Lake area", do you mean records kept there, or kept here in Head Office?

MR. CLARKE: They would be records kept in the area, I presume.

THE CHAIRMAN: At the Division office?

MR. CLARKE: I presume so.

THE CHAIRMAN: Not at the Head Office in Toronto?

MR. CLARKE: No.

BY MR. WREN:

Q Is there a copy in the Head Office of all these plans relating to that highway?

A I will have to refer that to Mr. Fulton.

Q I do not think there is, but I will ask the question. I will have to refer to Mr. Fulton.

MR. FULTON: These records came to Toronto and were checked, and sent back to the Kenora Division.

MR. WREN: Sent back to the Division Engineer?

MR. FULTON: Yes.

MR. WREN: You have no other records here?

MR. FULTON: No, except some receipts. We have no cross-sections or distances.

THE CHAIRMAN: Is it normal practice to send them back to the Division, after they are sent here for final passing?

MR. FULTON: They are kept for some considerable time at Red Lake. We keep them here for three or four years, and then send them back.

THE CHAIRMAN: Is it the practice to send them back after a number of years, when the contracts have been completed?

MR. FULTON: Yes.

THE CHAIRMAN: What do they do with them? Do they index them, or what do they do with them?

MR. FULTON: They are supposed to keep them there.

THE CHAIRMAN: Indefinitely?

MR. FULTON: Yes.

THE CHAIRMAN: That is the normal practice?

MR. FULTON: Yes.

MR. GRUMMETT, Q.C.: What is the use of sending them back? They would be more valuable here, and there would be better protection for them.

MR. FULTON: The contracts were all completed, and they are kept for eight years, if there is no claim. To keep them all here would take a chest as big as this table (indicating) for one contract, and 1,500 contracts would pretty nearly fill the Parliament Buildings.

THE CHAIRMAN: It would do away with a great deal of suspicion, if we could get a straight statement that the normal procedure was to burn them after so many years.

There has been a certain amount of suspicion raised. Can we not clear it up?

MR. WREN: It is not the normal practice. The Chief Engineer said the instructions were issued years ago that the records were to be kept.

MR. MAPLEDORAM: If we had the original records, what good would they be?

MR. WREN: I think, Mr. Mapledoram, as we progress, you will discover these plans are very important.

MR. COLLINGS: What does Mr. Wren mean by "as we progress"?

MR. OLIVER: We may be able to find out if they were destroyed. We have not been able to find that out as yet.

MR. COLLINGS: That is a mystery, too.

MR. WREN: Mr. Clarke, do you know whether these records were destroyed, or any portion of them?

MR. CLARKE: No sir, just what I read in the paper.

THE CHAIRMAN: Somebody must know. Somebody must have written and asked for a report. Is there any report on it? You do not all get your information from reading the newspapers in a situation like this, do you?

MR. CLARKE: That is all the information we have.

THE CHAIRMAN: Surely we can find that out. On something that is so obvious, we should get a correct answer immediately.

MR. CLARKE: I have no report.

MR. JANES: It is probably just like the lost bridge.

MR. OLIVER: I think Mr. Cotnam said the records were destroyed.

MR. JANES: If Mr. Cotnam knows, let us get him.

MR. COLLINGS: The hon. Minister says he does not know that any records were destroyed. Mr. Clarke said he does not know of any records being destroyed.

MR. GRUMMETT, Q.C.: Just what information have you received as to the destruction of any documents?

MR. CLARKE: I think Mr. Zoller discussed it on the Red Lake road.

MR. GRUMMETT, Q.C.: What time was that?

MR. CLARKE: Some time last fall.

MR. GRUMMETT, Q.C.: Did he discuss with you that the documents had been destroyed?

MR. CLARKE: I think he told me he heard they were destroyed.

MR. GRUMMETT, Q.C.: Did he say anything to you about who destroyed them?

MR. CLARKE: Not at that time.

MR. OLIVER: Did Mr. Doucett ever ask you to pursue this matter?

MR. CLARKE: No sir.

MR. GRUMMETT, Q.C.: Did you convey that information to the hon. Mr. Doucett?

MR. CLARKE: No, I did not.

MR. WREN: It seems to me you two should get together on this thing.

MR. COLLINGS: Did Mr. Clarke convey the information to the Deputy Minister?

MR. CLARKE: No. I conferred with Mr. Zoller to take the necessary steps to track this down.

MR. JAMES: If the Department spent all its time concerning information appearing in the papers, they would not have time to do anything else.

MR. MAPLEDORAM: Mr. Zoller is here.

THE CHAIRMAN: We are trying to find out something which may not be anything unusual at all, but it has aroused a certain degree of suspicion by reason of the half secrecy.

MR. WREN: This is a typical "run-around", "I do not know", "I cannot remember", "I do not know who I asked". Surely there is somebody in this Department who knows what is going on.

MR. JAMES: Let us hear what Mr. Cotnam has to say.

MR. ZOLLER: There is no mystery about the records destroyed in Kenora. We authorized having a check made in Kenora by one of our instrument men. He went to Kenora to do so, and he found the records were destroyed, and it was reported to the Chief Engineer.

There are no letters on file. It was something which is done in the ordinary course of events. The reason they were destroyed was because Mr. Ewen said he had no room for them. He thought the Red Lake records were not needed any more, and he destroyed them to get available space. That is the situation.

MR. COLLINGS: Mr. McEwen destroyed the records?

MR. WREN: It is your statement that Mr. McEwen said he destroyed the records?

MR. ZOLLER: He said so.

THE CHAIRMAN: That was general housecleaning.

MR. ZOLLER: Yes.

MR. WREN: Did you report that to the Minister?

MR. ZOLLER: It was general knowledge to the Department.

MR. WREN: The Minister just told us that he asked for a full and complete investigation --

THE WITNESS: No, I do not think I said "a full and complete investigation". I asked somebody to ask for it.

BY MR. WREN:

Q You said you were waiting for a full report.

A So I am. I have it right now.

MR. WREN: I think Mr. Zoller said he knew about it last fall.

MR. ZOLLER: I think it was February we sent a man up to check the records.

MR. OLIVER: How long does it take to tell the Minister anything?

MR. ZOLLER: With all these things going on

for the last six months, I do not know. I think there is a great deal of mutual understanding in the staff.

THE CHAIRMAN: I think you have made it very clear. You have explained the situation satisfactorily. We know what has happened now and we know the reasons given for it.

MR. MAPLEDORAM: This question might have been asked of Mr. McEwen.

MR. GRUMMETT, Q.C.: That is expensive house-cleaning.

MR. COLLINGS: Did Mr. Wren raise this question at Kenora?

THE CHAIRMAN: I do not know that he knew.

MR. JAMES: He did not raise the question, or he would have received an answer.

MR. WREN: I did not ask the question because the impression I had was that no witnesses were to be questioned on anything if they were concerned with the trials.

MR. MAPLEDORAM: That was not my conception.

MR. WREN: The Standard Paving Company had the contract on that, and I understand they are charged with an offence.

THE CHAIRMAN: If you knew it at that time, I think you should have brought it up.

MR. JANES: Why do you ask it now, if you did not ask it then?

MR. WREN: Do I have to ask you when I want to ask a question?

THE CHAIRMAN: I think the matter has been cleared up in the last few minutes. I think everybody should be clear on it.

MR. OLIVER: Except it was Mr. Cotnam who said they were destroyed, when he was on the stand. I think we should clear it with him.

MR. WREN: He said he thought it was a most serious offence, and he did not know whether it would warrant criminal action.

MR. COLLINGS: Did Mr. McEwen destroy other records, other than those on this one particular job in the housecleaning, to make room for others?

MR. MAPLEDORAM: Can you answer that, Mr. Zoller?

MR. ZOLLER: No, I cannot. I would assume that other records were destroyed.

THE CHAIRMAN: Are there any other questions?

MR. OLIVER: If you are going to have a fire, you might as well have a big one.

BY MR. OLIVER:

Q I would like to get this from you, Mr. Minister; when you were ill for almost a year, who was the Acting

Minister of Highways?

A Hon. Mr. Dunbar.

Q For the whole of that time?

A Yes.

Q What was the length of that time?

A I was in the hospital for five months, and I think about five or six weeks after that, as near as I can remember. I came back on crutches. I was not too mobile.

Q That would be about seven months?

A It would be about six and a half.

Q During that time, hon. Mr. Dunbar was the Acting Minister?

A Yes.

BY MR. WREN:

Q Mr. Minister, you have heard some discussion in this Committee about gifts and gratuities to employees of the Department.

Have you been aware, as reported by the Consulting Firm, that for some time, the officials in your Department have been receiving gifts from contractors and others who did work for the Department?

A Yes, I have been aware of Christmas gifts.

Q Just Christmas gifts?

A Yes.

Q You never heard of any other?

A No.

BY MR. GRUMMETT, Q.C.:

Q Do you think it is good practice?

A Christmas gifts?

Q Yes.

A It has been going on for a long time. Santa Claus is a very popular old gentleman in this world, but, in this case, if it has been misused, then I am opposed to it.

MR. GRUMMETT, Q.C.: Even a small gift will, over the years, increase and become something which will lead to suspicion.

MR. JAMES: Even a cigar.

MR. OLIVER: It means you have to do more next year.

THE WITNESS: You and I might exchange Christmas cards.

BY MR. OLIVER:

Q Do you not think it would be good work to forbid gifts?

A Yes; I will sanction the recommendation in the report.

MR. GRUMMETT, Q.C.: You heard what an official in Albany said, "If you cannot eat it, drink it, or smoke

it in one day, do not accept it".

THE CHAIRMAN: Mr. McQuigge mentioned the "fruit of the month".

BY MR. OLIVER:

Q Mr. Minister, what would happen in relation to these contracts on which there had been over-payments, when the contracts were on the Trans-Canada highway? I imagine the procedure would be, pay the contractor this sum, which was the basic amount, plus the over-payments, as revealed now, and some would go to the Federal Government?

A Yes, I think when the D-4 came in for the increase -- and this I would like to have confirmed by Mr. Zoller -- it would have to be approved by Ottawa, and they would pay us 50 percent.

Q Then is it correct to say that Ottawa has also over-paid?

A It is possible that some of them were; I cannot tell exactly.

Q Would they over-pay it to the same extent, as revealed to the Committee this morning?

A Of course, Ottawa paid us. We paid the contractor, and Ottawa sent their cheque to us.

Q You would bill them 50 percent. of the costs?

A Yes.

Q And that 50 percent. would include the over-payments?

A Yes.

Q So, in reality, the Federal Government must have paid a compensation to you, which included the over-payments?

A If they were kept paid up to date.

Q So, of all which have been paid up to date, it is reasonable to conclude that not only the province of Ontario has been over-paying, but the Federal Government as well?

A I think that is elementary, yes.

BY THE CHAIRMAN:

Q The authority upon which the Federal Government paid, would be their own engineering authority?

A Yes. When they got this D-4 in, either the Chief Engineer -- and I think there is a letter on record -- or the Supervising Engineer, would check it, and pass it down the line. They had a line of authority, too.

Q They would check it the same as you did?

A Yes.

BY MR. OLIVER:

Q The ordinary course for them would be to accept your analysis of the situation, financially speaking?

A If their engineer had checked it carefully, it must be approved by him.

Q Would that be the procedure from now on?
You say the Federal Government was over-paying, and I cannot see any other picture --

A I say if one these jobs was far enough along, it is very likely.

Q Some of them were certainly far enough along.

A Yes. Of course, there is a hold-back on them.

Q What will be the procedure from now in on those contracts on which the Federal Government had paid the actual, plus the bonus you now have to pay to the Federal Government?

A We have not gone into that yet.

BY THE CHAIRMAN:

Q In other words, what part of the \$2½ million about which Mr. Zoller was speaking, as the outside figure -- what part of that represents the money the Federal Government would have a claim on?

A I think that is a legal point, but if the Federal engineer approved it the same as ours, they would surely have some responsibility.

Q Let us assume you cannot get any of that back. Then the loss is partly Provincial and partly Federal?

A That is correct.

Q Not all provincial?

A That is correct.

BY MR. OLIVER:

Q I want to be quite clear on that. I do not follow what the Chairman has said; Mr. Zoller told us this morning the Department had paid \$2½ million on 16 contracts. That would be the provincial over-payment?

A Yes.

BY HON. MR. PORTER:

Q But approved by the Federal as well as the Provincial engineers?

A Yes.

MR. COLLINGS: Mr. Chairman, I understand on the monthly progress certificates, there appears the stamp of the Trans-Canada officials.

HON. MR. PORTER: The Federal engineer has to satisfy himself that the work has been done, according to his certificate.

THE WITNESS: That is what I said.

BY HON. MR. PORTER:

Q As well as the provincial approval?

A Yes. There would be no payment until the approval was made.

I know what Mr. Oliver wants. Mr. Zoller gave

certain figures. The certain figures would not be the total payment, because we make the payment and then we get it back through the Dominion Credit.

BY THE CHAIRMAN:

Q Mr. Minister, what I was trying to get clear -- and this is a matter on which I am somewhat worried myself -- if there is \$2 $\frac{1}{2}$ million over-paid, and if, in fact, a part of that over-payment is really a Federal Government claim, then the net figure, as far as this province is concerned, would be reduced by the Federal Government's part of it?

A I would say that is correct.

THE CHAIRMAN: Is that correct, Mr. Zoller?

MR. ZOLLER: It is not all applicable to the Trans-Canada highway.

THE CHAIRMAN: To the extent that the Federal Government would have any claim for re-payment as a result of this contract, as far as the \$2 $\frac{1}{2}$ million is concerned, that would be reduced by the amount the Federal Government received?

MR. ZOLLER: That makes it a legal matter, but I would it is right.

MR. COLLINGS: Mr. Zoller, supposing of this \$2 $\frac{1}{2}$ million, the Federal Government has not paid their amount to the province; let us say their share of these

16 contracts have not been fully paid. We come now to where there has been an over-payment; could they refuse to pay their 50 percent. share of that portion of the \$2½ million?

MR. ZOLLER: I cannot tell how they will proceed, but they have not paid us for sometime. I can tell you that.

MR. COLLINGS: Then if we paid it, and there is no recourse against the Federal Government, and no recourse against the contractors, the province will have to stand it?

MR. ZOLLER: I think possibly that will be correct.

HON. MR. PORTER: I think that is a correct statement, as I understand it. The Federal Government makes the payments on the certificate of its own engineer.

MR. ZOLLER: Yes.

HON. MR. PORTER: And our engineer certified to the Department of Highways and this witness certified to the Federal Department, and they have a separate engineer, appointed by themselves, and it is upon that certificate they make the payment. Is that right?

MR. ZOLLER: Yes.

BY MR. OLIVER:

Q Is it not right, Mr. Minister, in regard to

these payments, the province must certify to the Dominion that these are proper accounts?

A I cannot tell you exactly just what the set-up is on that. Mr. Zoller would have to tell you that.

MR. DENT: Why do they have the Federal engineers on it, if they cannot take their word?

MR. OLIVER: I think you will find in the agreement, that the province has to certify all these as being proper accounts, to the Federal Government.

THE WITNESS: I would like Mr. Zoller to answer that.

HON. MR. PORTER: On the other hand, they have a separate and independent advice from a man appointed by themselves, and here was a situation you considered to be serious enough to warrant making an independent investigation. I do not know that it makes a great deal of difference.

MR. OLIVER: I do not know that it does.

HON. MR. PORTER: I do not know how you would get your suit between the two governments into court. It is a question of settling on a reasonable and amicable basis.

THE CHAIRMAN: Are there any further questions?

MR. GRUMMETT, Q.C.: I think it should be clearly pointed out by hon. Mr. Doucett that the 16

contracts are not all in connection with Trans-Canada contracts. Only four or five of them may be related to Trans-Canada. Is that correct?

THE WITNESS: There is a division there. I cannot tell you exactly, but I think it probably would be 50/50.

BY MR. GRUMMETT, Q.C.:

Q There were over-payments amounting to \$2½ million on the 16 contracts?

A Yes.

Q All of those contracts did not concern the Federal Government?

A That is correct.

Q So it would not be 50/50?

A No, it would not be 50/50, unless one was higher than the other.

From some of the information given here, I think the Trans-Canada is pretty heavily involved.

BY MR. WREN:

Q Going back to this business of gifts and so forth; has any contractor ever offered to you or given to you any gift, gratuity, offer of any kind, other than an ordinary Christmas gift, during your term of office?

A I would say they have offered me things which I certainly would refuse -- definitely, but not to any extent.

Q They have offered you things which would not amount to any considerable sum?

A I do not mind taking a box of cigars. I have, on many occasions. Small things, which I do not think you would object to.

Q You never accepted from any of them, or any person, anything valued at more than \$100.?

A I have never accepted a gift of any consequence.

Q Would you answer that question directly?
The question was, have you ever accepted in cash or in kind, anything from a contract which would exceed \$100. in value?

A I made a definite statement --

Q Please answer "Yes" or "No".

A No. I have never accepted any gift of any value. I have accepted some little things, sure.

BY THE CHAIRMAN:

Q You mean of no monetary value?

A Not very great. I certainly have had a pipe, and have had cigars, and so on. I think many other people have, too.

Q Have they done any work for you?

A Any work I have had done, I have paid for.
That is quite legitimate.

Q In other words, you have paid a contractor sums

of money for the work they did?

A I have, yes.

Q You have?

A Sure; . no big jobs.They did a ditch job last fall, and I had a man in with a grader to fill it in, and paid him for it. There were things like that.

Q You have a farm, have you not?

A Yes, sure.

MR. COLLINGS: Somebody had to fill it in.

BY MR. WREN:

Q Did you ever have men on your farm who were on the pay-roll of any company?

A Never. Any man I had on my farm, I paid myself.

Q You have paid it yourself?

A Yes.

Q And they have not been paid by any other person?

A No; paid by my farm manager.

BY MR. GRUMMETT, Q.C.:

Q Is it the practice of the Department at any time to sell any material?

A Not that I know of, Mr. Grummett, unless to municipalities. We might sell them some gravel, but I am not so sure of that.

Q No gravel, or paving material, or timber, or

anything of that nature?

A No, I do not think we have ever sold any paving material.

Q Or logs, or anything of that nature?

A I cannot say about logs; I do not think so. We do interchange with municipalities, you know.

Q You say it is not the practice to permit your engineers or other officials to sell to somebody who may want some logs, or some road-making material -- to sell them a certain amount of material?

A Not that I am aware of, no. They may have done some of it, but I was not aware of it.

Q Would you approve of it?

A No, it is a practice we have discouraged -- definitely.

BY MR. WREN:

Q Do you know of any contractors giving shares of mining stock to engineers in the employ of the Department.

A No, I do not.

Q Do you know of one man who was alleged to have received a gift of 100 shares --

THE CHAIRMAN: That is not about anything which is in the courts?

MR. WREN: I do not know. If it is, stop me.

THE CHAIRMAN: Go ahead and ask your question, but it had better not be answered for the moment. Will you complete your question?

BY MR. WREN:

Q Do you know of an engineer in the Department who received 100 shares of the Placer Gold Mine?

A No.

Q Do you now know of it?

A No.

Q You have no knowledge of it at all?

A No.

Q Would you know it, if it was true?

A Not necessarily. Unless it came out in the investigation, I would not know it.

Q If one of the other officers knew of it, would he not report it to you, or the Deputy?

A You mean in my own Department?

Q Yes.

A He might. But it has not been reported to me.

Q You know nothing at all about it?

A No.

THE CHAIRMAN: Are there any other questions?

MR. COLLINGS: That puts quite a cloud over all the employees of the Department.

MR. JAMES: That is one more newspaper report

we will have to investigate.

MR. COLLINGS: Yes, and I do not think it is fair.

THE CHAIRMAN: Would that particular question have any reference to any matter before the court, Mr. Cotnam?

MR. COTNAM: I think that would be a matter which ought not to be discussed at this time.

THE CHAIRMAN: Then I will ask the press not to print anything on that particular matter.

Are there any other questions?

MR. WREN: Any others I have will have to wait, Mr. Chairman.

THE CHAIRMAN: This may be a good time to recess for ten minutes. Perhaps in about an hour, we might adjourn for luncheon, and then resume at 2:30 this afternoon.

---Whereupon a short recess was had.

---Upon resuming.

THE CHAIRMAN: Are there any further questions to ask of the Minister? (No response).

---The witness retired.

THE CHAIRMAN: Gentlemen, Colonel Thomas Medland is here on behalf of the Professional Engineers, and I understand he wishes to present a brief.

I think this would be an opportune time to hear him.

T H O M A S M E D L A N D,

representing the Professional Engineers Association, now being called, and duly sworn, testifies as follows:

BY THE CHAIRMAN:

Q Colonel Medland, we will be glad to hear anything you wish to present to us.

A Mr. Chairman and gentlemen; may I offer the apologies of the President and Secretary of our Association, who came here to present a brief, but he has been called away to attend a conference with some people from New York.

We would like to present the following brief, to the Committee, Mr. Chairman:

" The Association of Professional Engineers of Ontario is the licensing body for the Engineering Profession and functions under authority granted by The Professional Engineers Act enacted by the Ontario Legislature in 1922 and amended from time to time. The present membership of the Association is 12,500.

In presenting this brief, it is the wish of the Association to express appreciation of the

accomplishment of the Department of Highways and of the many contractors who have assisted in providing the network of Provincial and County roads which today facilitates travel throughout the Province.

Engineering Services

The design and construction of modern highways is a problem requiring the best professional engineering services available. Good engineering services are not expensive. Proper engineering costs in connection with highway design and construction are well below ten per cent of the total cost. Inadequate engineering services on the other hand can be very expensive, since they invariably lead to incomplete and costly design and to lack of adequate planning.

Professional Engineering Staff

The excellent report submitted by J. D. Woods & Gordon draws attention to the serious shortage of professional engineers on the Highway staff. For comparison, we wish to draw to your attention two other organizations, The Hydro-Electric Power Commission of Ontario, which spent, in 1953, 188 million dollars and employs in round figures 900 professional engineers; a manufacturer of

electrical equipment, which last year grossed 205 million, and has a large staff of which 1 person in 17 is a professional engineer.

The Highways Department with an expenditure of 157 million has a staff of 228 professional engineers. It will be pointed out that a comparison with a manufacturer of electrical equipment, which involves test engineers, sales engineers and many other specialists not required in building highways, is not a fair comparison. It might also be said that a comparison with Hydro is hardly reasonable, but the example does serve to show that it is necessary to seek farther afield for the reason that the Department of Highways' Engineering Section is understaffed, other than the fact that engineers were in short supply. The two organizations just mentioned, faced with the same condition of post war expansion, operating in the same area as the Highways Department, were able to secure the professional employees they required. The answer must, therefore, obviously be that the conditions of employment were not sufficiently good to attract and hold members of the profession. Less than 50% of the present engineering staff have been with the Department more than five years.

"It is suggested that the Department should establish a formal training programme under a senior professional engineer and that he should also be responsible for the recruitment of young graduates for the Department.

Several of the larger employers of professional engineers have well established training programmes. The following rules have been demonstrated in practice to be important.

1. A senior executive should be responsible for the operation of the plan.
2. The accent should be on practical training.
3. The work assignments should be so arranged as to develop leadership responsibility and enable the supervisor to estimate the ability of the men to assume this responsibility.
4. A lecture course should be given during regular working hours. This may be one or two hours per week. The lectures should be given by senior Department staff members to acquaint the student with phases of the Department's operation and policies not readily obtained from the work assignments under the plan.
5. There should be regular interviews by the executive responsible for the course with

the student engineers.

6. The salary schedule should be established for the training period, irrespective of the individual job assignments.
7. A careful record of the work of each student engineer should be maintained during the training period so that at its termination the Minister will have the necessary data to determine in which department the student should be placed. Men will show marked aptitude for some phases of the Department's activities, such as design, maintenance, supervision of construction, or other fields.

A basic reason for the shortage of professional engineers in the Department is that while starting salaries presently compare favourably with those offered in industry, this condition does not continue into the positions above Engineer, Group 3.

At Appendix 'B' will be found a comparison of salary ranges made effective in the Ontario Public Service as of April 1, 1954, with the salary range arrived at by the Association using our own job evaluation technique. It will be noted that the underlined figure is the salary which occurs with the greatest frequency in the survey of 30

Ontario Corporations."

THE CHAIRMAN: Would you like to turn to the Appendix at this time?

THE WITNESS: Shall I read these figures, sir?

THE CHAIRMAN: I think we should have a good look at them.

THE WITNESS: Very well, Mr. Chairman.

Appendix "B" reads as follows:

" COMPARISON OF ONTARIO PUBLIC SERVICE SALARY
SCALE FOR PROFESSIONAL ENGINEERS WITH
'GOING RATES' FOR COMPARATIVE JOBS IN
ONTARIO INDUSTRY

'Generalized Specifications for Engineering Classes' issued by the Ontario Public Service Commission have been analysed into job factors and have been evaluated on a point scale, using the Association's job evaluation technique. The point values of the various engineering classes were then equated to the point values, obtained by analysis and evaluation using the same technique, of a large number of engineering jobs throughout the manufacturing and public utility field in Southern Ontario."

BY THE CHAIRMAN:

Q Do you have a reference to that statement by Mr. Foster? He had a number of comparative figures. Yours is done independently?

A The only thing I recall in regard to Mr. Foster's remarks, as I read the evidence, was that he thought the engineers in the Department were satisfied with the conditions.

Well, Mr. Foster is noted for telling amusing stories.

HON. MR. PORTER: I am not sure about that.

THE CHAIRMAN: When he said they were happy --

HON. MR. PORTER: I never met anybody yet who was happy with his salary.

MR. JAMES: We might compare the salaries and pensions.

HON. MR. PORTER: Exactly. You take into consideration all the benefits and the security -- I do not know whether that is taken into consideration. These are just the bald figures of salaries.

THE WITNESS: That is an argument which has been used down through the years, and at one time, it was a very special one.

Today, there are but very few industries in the province which do not have a pension scheme, an employment scheme, as good as the province's, and in many cases, even better.

BY HON. MR. PORTER:

Q I would like to know more about that.

A We presented a brief to the Civil Service Commission in 1951, in which the security of employment -- the "fringe benefits", if you like to call them that -- were outlined, and in no instance was the Civil Service better.

The Dominion Government realizes that fact, and has been increasing its salaries to a point where they compare favourably with industry.

BY THE CHAIRMAN:

Q You do not think the Ontario position has reached that point?

A No.

BY HON. MR. PORTER:

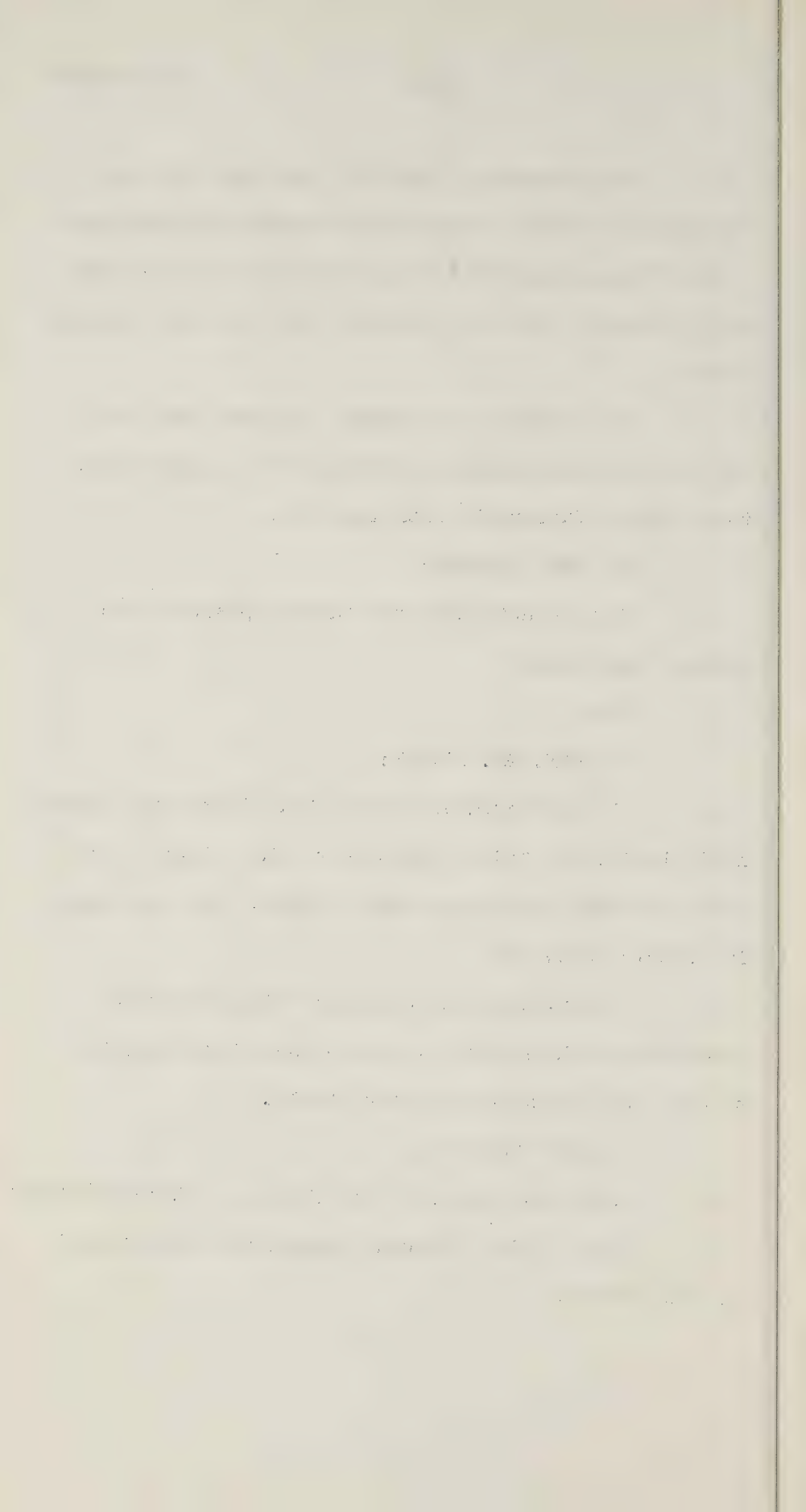
Q I see "engineers, group No. 1"; the top salary, 1954, is \$4,100, and in addition to that, there is the cost-of-living bonus amounting to \$120. The top range in Ontario is \$4,200.

A I mentioned the starting salary was more comparable with industry, because they found they had to have that to secure anybody at all.

BY THE CHAIRMAN:

Q Will you just read the figures, Colonel Medland?

A Yes. The following comparison was obtained in this manner:



Ontario Public Service

Ontario Industry

<u>Engineering Class</u>	<u>Prior to Apr. 1, 1954 Salary Range</u>	<u>Effective Apr. 1, 1954</u>	<u>A.P.E.O. Wage Group</u>	<u>Salary Range*</u>
Engineer, Group 1	\$2860-3600	\$3450-4100	A	\$3600- <u>3960</u> - 4200
Engineer, Group 2	\$3300-4400	\$3900-4700	C	\$4140- <u>4800</u> - 5640
Engineer, Group 3	\$4000-5250	\$4700-5800	D	\$4920- <u>5700</u> - 6900
Engineer, Group 4	\$4600-6000	\$5300-6400	G	\$6600- <u>7680</u> - 9240
Engineer, Group 5	\$5500-7000	\$5800-7800	I	\$8220- <u>9600</u> - 11,520"

It is apparent that as the seniority of the individual goes up, the difference in the salary structure is greater, and that is one of the difficulties with the young men coming on the staff.

The young men see that people above them are not paid comparably to industry, and there is no incentive for them to stay.

Engineer, Group 6	\$6500-8000	\$7000-8500	I	\$7950- <u>9360</u> -11,280
Engineer, Group 7	\$7000-9000	\$8300-10,000	-	above \$12,000.

Cost of Living Bonus	Cost of Living Bonus
\$420.	\$120.

* underlined figure is the modal salary from a survey of 30 corporations."

It will be noted also that in the salary changes, made effective April 1st, the cost-of-living

bonus, which was previously \$420.00, has been partly included in the salary, and the cost-of-living has now dropped to \$120.00.

BY THE CHAIRMAN:

Q Will you just carry on now with the brief, Colonel Medland?

A Yes.

"While the starting salary is presently comparable to that which applies in industry, this was not so prior to the recent change. This feature has, in the past, been overcome by the Department starting the young graduate at the top of the range which seems to be an indication that it was realized that the salary schedule was not a realistic one. While this manner of dealing with the problem achieved the purpose of securing young graduates, it did nothing to ensure their retention. Those engineers already on the staff received only a promise of consideration. It may well be that the Civil Service Commission is understaffed but whatever the reason, it is a fact that salary revisions of a general nature and even re-classification, due to promotion, are so long delayed as to constitute a bar to the natural feeling of well-being consequent upon promotion.

"It is recommended that a complete survey of salary ranges applicable to professional engineering positions be undertaken by a firm of professional engineers competent in this field. The Association will be happy to make available its resources to assist in this undertaking.

It is further recommended that the payment of the appropriate classification be immediately made on promotion.

It is further recommended that in the case of resident engineers, that care be exercised to ensure that the seniority and salary classification of the resident chosen for a particular project be such that will place him on at least an equal basis with the contractor's superintendent.

It is further recommended that the present policy regarding the supply of cars or, alternatively, mileage allowance for staff members who are required to travel be reviewed.

Organization

Cognizance is taken of the reported re-organization being carried out in the Department and we suggest that this activity be continued until the Department is completely organized on modern lines and each professional engineer is

fully aware of his duties and responsibilities."

BY THE CHAIRMAN:

Q Do you infer at the moment they are not aware of their duties and responsibilities?

A I do not think there is definite clarification, no sir.

"Preliminary Engineering

The extent to which preliminary engineering can be carried out depends entirely on the staff available. The Association believes that preliminary engineering should be as thorough and all embracing as possible but that increased activity in this field should not be undertaken until the staff has been built up to an extent that will permit the work to be done efficiently.

In this connection we refer to the proceedings of this Committee at Albany, New York, Friday, June 4th:- in answer to a question by Colonel Gordon as to the staff of District Engineers and their authority, Chairman Nickerson stated, in part:

'In the Albany district, it averages around 200 in the engineering grades and there would probably be 30 in the clerical and stenographic

grades. About 800-odd employees on maintenance and operation of highways, and perhaps a little over 200 employees on Canal maintenance and operation---.'

On a staff of 1,230 about 200 are engineers. In Ontario, the Department has a staff of 6,500 of which 228 are professional engineers.

Code of Ethics

The Association has probably not made known to the employers of professional engineers in a sufficiently forceful manner that the individual member of the profession is bound by a rigid Code of Ethics which is a part of the By-laws of the Association and as such is an integral part of 'The Professional Engineers Act'. The Code is presented in full at Appendix 'A'."

THE CHAIRMAN: Shall we look at Appendix "A" for a moment? I think perhaps you should read the parts of the Appendix which you think are pertinent. You have picked out the ones you wanted to refer to?

THE WITNESS: Yes. This Appendix "A" is entitled "Code of Professional Ethics". It is divided into sub-headings, and it might be well to read it all.

It reads as follows:

" General

1. A professional engineer owes certain duties to the public, to his employers, to other members of his profession, and to himself and shall act at all times with, --

- (a) fairness and loyalty to his associates, employers, subordinates and employees;
- (b) fidelity to public needs; and
- (c) devotion to high ideals of personal honour and professional integrity.

Duty of Professional Engineer to the Public

2. A professional engineer,---

- (a) shall endeavour at all times to enhance the public regard for his profession by extending the public knowledge thereof and discouraging untrue, unfair or exaggerated statements with respect to professional engineering;
- (b) shall not give opinions or make statements on professional engineering projects of public interest that are inspired or paid for by private interests unless he clearly discloses on whose behalf he is giving the opinions or making the statements.
- (c) shall not express publicly or while he is serving

as a witness before a court, commission or other tribunal opinion on professional engineering matters that are not founded on adequate knowledge and honest conviction;

- (d) shall make effective provisions for the safety of life and health of a person who may be affected by the work for which he is responsible; and
- (e) shall sign or seal only those plans, specifications and reports actually made by him or under his personal supervision and direction.

Duty of Professional Engineer to Employer

3. A professional engineer,---

- (a) shall act in professional engineering matters for each employer as a faithful agent or trustee and shall regard as confidential any information obtained by him as to the business affairs, technical methods or processes of an employer;
- (b) shall present clearly to his employers the consequences to be expected from any deviations proposed in the work if his professional engineering judgment is overruled by non-technical authority in cases where he is responsible for the technical adequacy of professional engineering work;
- (c) shall have no interest, direct or indirect, in any materials, supplies or equipment used by

his employer or in any persons or firms receiving contracts from his employer without in advance informing his employer of the nature of the interest;

- (d) shall not tender on competitive work upon which he may be acting as a professional engineer without first advising his employer;
- (e) shall not act as consulting engineer in respect of any work upon which he may be the contractor without first advising his employer; and
- (f) shall not accept compensation, financial or otherwise, for a particular service, from more than one person except with the full knowledge of all interested parties.

Duty of Professional Engineer to Other Professional Engineers

4. A professional engineer,---

- (a) shall conduct himself towards other professional engineers with courtesy and good faith;
- (b) shall not accept any engagement to review the work of another professional engineer for the same employer except with the knowledge of that employer; or except where the connection of that engineer with the work has been terminated;
- (c) shall not maliciously injure the reputation or business of another professional engineer;

- (d) shall not attempt to gain an advantage over other members of his profession by paying or accepting a commission in securing professional engineering work; and
- (e) shall not advertise in a misleading manner or in a manner injurious to the dignity of his profession; but seek to advertise by establishing a well-merited reputation for personal capacity.

Duty of Professional Engineer to Himself

5. A professional engineer,---

- (a) shall maintain the honour and integrity of his profession and expose without fear or favour before the proper tribunals unprofessional or dishonest conduct by any other member of the profession; and
- (b) shall undertake only such work as he is competent to perform by virtue of his training and experience, and shall, where advisable, retain and co-operate with other professional engineers or specialists."

THE CHAIRMAN: Now, will you proceed with the reading of your main brief, Colonel Medland?

THE WITNESS: Yes.

"It is desired to draw the attention of this Committee particularly to two sections:-

3. A professional engineer,---

- (b) shall present clearly to his employers the consequences to be expected from any deviations proposed in the work if his professional engineering judgment is overruled by non-technical authority in cases where he is responsible for the technical adequacy of professional engineering work;

and

5. A professional engineer,---

- (a) shall maintain the honour and integrity of his profession and expose without fear or favour before the proper tribunals unprofessional or dishonest conduct by any other member of the profession;

Long-term Planning

The J. D. Woods and Gordon Report recommends that a long-term planning of highways should be undertaken and in this connection the Association suggests that consideration be given to a plan known as Sufficiency Ratio.

This plan is stated to have the following objectives:

1. To aid in assigning priorities for reconstruction by evaluating the relative adequacy of each

highway section according to certain prescribed standards.

2. To minimize or eliminate the element of personal judgment in assigning ratings.
3. To evaluate the ability of the road section to carry traffic safely, rapidly and economically.
4. To hold to a minimum community or local pressure in highway planning and reconstruction.
5. To keep legislative officials advised as to the current status of the highway plant and the funds that will be required to achieve a given standard of improvement.
6. To measure at annual intervals the average ratings of highway system so that the rate of progress of the highway programme can be determined.
7. To budget funds for highway improvement in the relative order of need, thus protecting the public investment in highways.

In short, it is a plan to place highways on a big business basis, with an established set of standards against which the success of a programme is measured, and in which three factors are given approximately equal consideration; physical condition, safety and service.

In suggesting a study of this method we draw

to your attention a professional engineer presently employed by the Department who has recently submitted a thesis on the subject. His name is C. R. Hopkins, P.Eng.

Consulting Services

An engineering programme of the extent of that undertaken by the Department of Highways may well benefit by the use of outside consultants. In many cases, the consultant, having an extensive experience in his particular field, can contribute to the work of the Department a detached and judicial opinion which will add a fresh viewpoint to the considerations of the permanent staff.

The use of outside consulting engineering firms for special projects would make it unnecessary for the Department to build up a large and unwieldy staff for projects which may require consideration only intermittently. Consideration might be given to the use of an outside board of consultants to consider controversial technical problems. This would have the effect of removing such problems from the field of local argument and debate to that of technical and economic grounds.

Engineering Research

Modern highways are expensive and complicated

engineering structures. They are being required to withstand constantly changing conditions and the service demands increase with each passing year. It is felt that the Department should not only design its highways according to the best present day practice but should also be furthering research in all fields related to highway design and construction.

It is recognized that some research has been undertaken by the Department and it is recommended that this be expanded to form a special Research and Development Section staffed with suitable professional engineers and scientists to deal with all phases of highway research. This section should carry out field control tests on existing highways which would ultimately furnish accurate data on the performance of all highway design and construction methods.

It is suggested that the Department staff should be strongly encouraged to produce papers for the technical press on the engineering features of its highways. Such activity inevitably leads to better engineering by encouragement of the staff and the healthy technical criticism from fellow engineers.

Highway Engineering Fellowships

Consideration might be given to assisting highway research at the Ontario Universities, by

making a limited number of research fellowships available to outstanding men and women for post graduate study in highway engineering.

General

While the Association is concerned primarily with matters that affect the engineering profession, we would like to comment that it is good engineering which ensures:-

- (a) That a contractor is given sufficient time in which to prepare his bid.
- (b) That completion dates are realistic and are adhered to.
- (c) That the contractor to whom a job is awarded has the 'know-how' and equipment available to do the job.
- (d) That a good small contractor is not permitted to take on work that is over his head.

Conclusion

In presenting this Brief, the Association is motivated entirely by a desire to be of assistance to this Committee. If the Committee wishes to have any points elaborated on, or wishes to have specific questions of an engineering nature explored, the Association will do its best to serve.

Our day-to-day discussions in the routine of our normal business dealings with the Senior Professional Engineers of the Department has convinced us that they are imbued with the resolve to make Ontario's highways the most efficient on the Continent. If this pride of achievement can be carried down to the most junior engineers, there can be little doubt but that success will be assured.

The engineering profession as represented by its governing body is available to the Department in any sphere in which it can serve in making the Highways organization of this Province of greater value to the community which we both serve."

THE CHAIRMAN: Thank you very much, Colonel Medland. Your brief has some very good points in it, and also strengthens some of the arguments presented already, on a number of key matters.

I think we are indebted to you and your Association for the work you have done in preparing this, and that applies also to the Roadbuilders' Association.

These briefs have been of great value to the work the Committee has in hand.

BY MR. OLIVER:

Q Is it the feeling that the Department of Highways could have competed with Hydro and several

other private concerns for engineers, if they had been paying adequate salaries?

A I will go farther than that, and say had the Civil Service Commission listened to the representations from the Department of Highways -- yes.

Q You feel the inability of the Highways Department to secure an engineering staff was due largely to the failure to recognize their services in a financial way and pay them adequate salaries?

A Yes, indeed.

BY MR. WREN:

Q They were available?

A Yes.

BY HON. MR. PORTER:

Q The other firms out-bid them. Every time the salaries are raised, some of the outside firms out-bid the Department. We were told by some of the witnesses here that was one of the weaknesses.

A Yes.

THE CHAIRMAN: I think Mr. Millar said that.

BY HON. MR. PORTER:

Q I am not suggesting the salaries are as high as they should be, but that is not the only difficulty?

A The salaries have been going up over the years, and as the Professional Engineers have increased

in industry, they feel a greater responsibility. It is completely a question of supply and demand.

Industry is becoming more and more complicated, and the responsibilities placed on responsible people are becoming greater and greater, and that is reflected in the salary structure.

Certainly the Civil Service Commission was slow to follow up the increases, and when increases did come through, they were not adequate to permit, not only the Department of Highways, but any Department of Government employing professional people, to secure the services right from the universities.

Any large industries which employs engineers has a staff member -- in some instances, members -- who make a tour of all the universities in Canada, interviewing people well before graduation time.

That was done in a half-hearted manner in the universities in Ontario, but there was no concerted attempt to see that they secured the type of people available who were interested in highway construction.

BY MR. OLIVER:

Q As I remember Mr. Millar's evidence before the Committee, he suggested that engineers, not being contractors, were not fully competent to assess the cost of moving earth and rock. What would you say to that?

MR. JANES: I do not think Mr. Millar said that exactly.

THE WITNESS: I would say that it was entirely in the field of the professional engineer.

BY MR. OLIVER:

Q You have fully confidence in the engineers in that field?

A Yes.

MR. JANES: I do not think that is a proper interpretation to be put on what Mr. Millar said. He said he was not a contractor, and if the contractor felt he could do the work cheaper, that was his business.

MR. OLIVER: I still think I have correctly interpreted Mr. Millar's point, but whether I did or not, I am asking the witness now if he feels the professional engineers are fully competent to evaluate the moving of rock and earth.

I understood him to say they were. That is sufficient for my purpose at the moment.

BY MR. WREN:

Q There is one question I would like to ask. While we have felt here in Ontario there is a good road system, it has been my feeling for some time that had this pre-engineering been properly done -- and you suggest no engineers were available and being paid an

adequate remuneration -- it is my feeling that if proper pre-engineering had been done, the road costs would have been lower, and we would have secured a better type of road.

My reason for thinking that is this, and I would like your opinion on it; is it through a lack of engineering on highways, or the loose way in which estimates are drawn, that has resulted in our securing third-class contractors for jobs which should have been done by first-class contractors?

In other words, due to the lack of engineering, the bids were unrealistic, and the estimates were unrealistic, and as a result a contractor, when submitting his estimate, was largely guessing, and has resulted in the unrealistic feature of it now, that he knew he was going to get out of it in the future, anyway.

THE CHAIRMAN: That seems like a long question.

MR. WREN: Just a minute.

BY MR. WREN:

Q Do you think it is possible with a different type of engineering, we could have secured a better type of contractor and a cheaper cost of construction?

A Mr. Wren, that is a most difficult question to answer, because it pre-supposes the people were available, when they were not. Whether they were

available generally, they were not available in the Department.

Q I said "had they been used".

A Well, the more engineering done, the easier it is for a contractor to make a proper bid.

Q Let us put it this way: do you think, from an engineering standpoint, that a contractor would be able to make a sensible bid on a job, from the information which was available to him?

A I am afraid I cannot answer that. I am not fully aware of the information which has been made available.

BY MR. COLLINGS:

Q Would you say that in the years 1949 and 1950, there were available insufficient engineers to meet the demands of industry and government?

A No, I would not say that, but the Department did not get its share of those available.

BY HON. MR. PORTER:

Q Even if they got their share, they would not have had enough to do the engineering, as recommended?

A Oh, I do not know.

Q Without cutting down the program?

A I think there were not enough engineers in Canada to meet the demands of everybody.

Q I think, from the evidence we have had from various witnesses, that during that period, there was definitely a shortage of engineers, and no matter what had been done if the highway program was to be carried on, on the magnitude that it was, it would have been physically impossible to do full and complete pre-engineering at that time, which would have been desirable. I think that is the consensus of the opinions we have been given.

I do not know whether you are in a position to comment on that.

A In 1949, the supply of engineers was not too difficult. In 1950, it was just about the same; in 1951, it was most acute.

If my memory serves, the larger employers of engineers, such as the Westinghouse and the Canadian General Electric, could only get about 60 percent. of the people they were willing to employ.

BY HON. MR. PORTER:

Q You mentioned the Westinghouse?

A Yes.

Q They had only 60 percent. of what they needed?

A 60 percent. of that year's graduation classes.

Q That is, 60 percent. of that year's graduation classes --

A Each of these industries decide how many engineers they will employ.

Q They only secured 60 percent. of what they hoped to get from these graduation classes?

A Yes, that is true.

BY MR. JAMES:

Q Is it not true that the picture in industry has been so bright over the years, that they can pay any salaries they want? But, from the indications that it may not be so bright, they may not be quite so happy?

A I do not agree with that. There is no indication of that.

THE CHAIRMAN: I think some members of the Committee may not have on their file, the information from J. D. Woods & Gordon Limited in regard to this situation. Those who were not present, may have a copy sent to them. This was prepared by Woods, Gordon Company in regard to how pre-qualification of a contractor would be carried out in practice. He says:

"Rules and regulations governing the classification and rating of prospective bidders, the State Highway Department of Michigan."

As I say, a copy of this may be sent to any member of the Committee who has not yet received it.

BY MR. OLIVER:

Q When it comes to saying what we should pay engineers, it is elementary that when we paid nearly \$2½ million by way of over-payments, we could have paid the engineers a very substantial salary.

A That is not my feeling.

HON. MR. PORTER: That is rather a broad statement, Mr. Oliver.

MR. OLIVER: We are dealing with broad subjects.

MR. JAMES: And a broad man is asking the question.

BY MR. OLIVER:

Q I understand a student engineer, employed by the Department of Highways has just recently -- in February, 1954 -- submitted a thesis on the costs of moving earth and rock in the Fort William Division, as a matter of fact. Are you aware of that?

A No, I am not.

Q It was submitted, I understand, to your Association.

A We get about 1,100 applications in a year.

Q My thinking was that inasmuch as this deals with matters which are pertinent to the Committee, if this thesis was available, probably it could be tabled

with the Committee for our information. Could that be done?

A. We will investigate that. . Do you know by whom it was prepared?

BY THE CHAIRMAN:

Q Has it appeared in any manuscript?

A No, I do not think so. With the consent of the person who prepared it, I would be glad to supply you with a copy of it.

MR. OLIVER: That is fair enough.

THE CHAIRMAN: Thank you, very much, and I want to thank your Association for having followed the proceedings the way it has. Either yourself, Colonel Muir, or Mr. Keefer, has been with us throughout our proceedings.

THE WITNESS: Thank you very much, Mr. Chairman and gentlemen.

---The witness retired.

THE CHAIRMAN: I received advice that Mr. Sterling will not come before this Committee. I had mentioned it in Fort William --

MR. OLIVER: Who is he?

THE CHAIRMAN: Mr. Sterling, of the Manning Company, had expressed a desire to appear before us, but apparently has changed his mind.

Gentlemen, the brief from the Canadian Pacific Railway will be presented, I think, right after luncheon, at 2:30. I made that arrangement as to the time, so they would know when they would be going on.

I notice that Mr. Elson and Mr. Millar are both here, and I understand they want to say a few words to us.

Which one of you gentlemen would like to go on first, between now and luncheon time, on the understanding we might want to have you stand down at 2:30, while the brief from the Canadian Pacific Railway is being presented.

MR. JAMES: I think Mr. Millar wants to come first.

MR. MILLAR: I will be glad to.

MR. ELSON: I have not very much to say. Perhaps Mr. Millar should have precedence.

THE CHAIRMAN: Very well.

J. D. MILLAR,

Deputy Minister, Department of Public Works, having been previously heard, now recalled, and having been already sworn, continues his testimony as follows:

BY THE CHAIRMAN:

Q You have already been sworn into these proceedings?

A Yes, I have, sir.

Q Will you proceed, then?

A Unless you had another procedure you wished me to follow, while it is fresh in your minds, I notice you all have copies of the brief presented by the Roadbuilders' Association on Monday --

MR. JANES: Mr. Chairman, I would like to clear up one thing before we go into that.

I made a statement that we had gone too far to stop in regard to a certain problem, and I think our enquiries last evening, before we adjourned, has left a cloud over the Department of Highways and its present officials, and I would like that to be cleared up.

MR. OLIVER: That is a pretty big order.

MR. JANES: We were trying to find out who was responsible for the payment of the work orders as they came in. We did not get that clear.

I know there is a great deal of dissatisfaction amongst the officials of the Department.

THE WITNESS: I can answer that very quickly. I was responsible, up to the 1st of May, 1954. I was the Deputy Minister of Highways, and as Deputy Minister, was responsible for all costs of administration within the Department.

BY THE CHAIRMAN:

Q You mean in regard to what are commonly termed as "over-runs"?

A Yes.

Q You were responsible?

A I have to take the final responsibility for everything that transpired within the Department, after I receive instructions on matters of policy from my Minister.

BY MR. OLIVER:

Q Did you approve the over-payments on the Wolfe contracts?

A Yes.

BY MR. JAMES:

Q Will you explain that and enlarge upon it, please?

A I will be very glad to.

BY THE CHAIRMAN:

Q You say, "after receiving instructions as to policy"?

A Yes.

Q Will you please start so we will get the whole story, how you get the authority to authorize over-runs, no matter the amount.

A The Minister frequently, in consultation with

the Cabinet, makes an announcement, sometimes through the Press, sometimes in the Legislature, if it is in Session, that such-and-such is to be done, and to get the work ready.

From there on, it is the responsibility of the Deputy Minister to carry out the administrative end of that work.

The procedure is this --

Q Please keep very close to over-runs, because at that particular point, contracts were being let at figures which, in some cases, had very little relation to the actual figures. Will you please keep that in mind?

A I will. I will stick to "over-runs".

The procedure for the end of the fiscal year, in making up the estimates of the Department for the coming year, is to canvass all the Division Engineers in the province, and all the Head Officials affected and ask them to prepare their estimates for the coming year. In many cases, that involves contracts already under-way, which means that, in the coming year, additional funds have to be provided for those contracts.

Q The over-runs would come in at that point?

A I am coming to that, if I may.

The contracts at the end of the fiscal year

may be within the amount of money as provided by the contracts. But to complete the work, the Division Engineer recommends to Head Office what he estimates will be the required money to complete these contracts. That is done each year.

Q Let us get that very clearly. At the end of every year, every Division Engineer reports to Head Office the amount of money required to complete the contracts?

A That is right.

Q To complete them -- in the future?

A To complete for that year.

Q Oh, for that year?

A Yes.

Q For that particular period -- for the work already done?

A No, the work already done has been paid for in the fiscal year in which the money is set up. I am speaking of the requirements to complete the work which is not already done.

BY MR. COLLINGS:

Q The carry-overs?

A Yes.

HON. MR. PORTER: For the work to be done during that fiscal year.

BY THE CHAIRMAN:

Q Let me get that clearly. At approximately what

month would he prepare that statement?

A Usually January, February, and up to March.
The Budget is usually in early March or late February.

Q He would be preparing figures up to -- when?
The 31st of December of the previous year?

A Or a little beyond that, inasmuch as the
Treasurer wishes the estimates in early, he may recommend
that for a period of, say, two or three months short
of the end of the fiscal year.

The usual procedure is a nine-months' actual,
and a three-months' forecast, and as we close in on the
end of the fiscal year, it is a ten-months' actual and
two-months' forecast, and by that time, the Session of
the Legislature has usually reached the stage where
the estimates of the Department will come before the
House and be approved.

Q In practice, to compile what you require up
to the end of the fiscal year, and also what you will
require in the future, that is, with regard to the
amount required to finish the fiscal year, and also
the additional year? Is that right?

A Not exactly, sir. The money to close out the
fiscal year has been provided by the Legislature during
the year before.

It is in anticipation of what will be required

in the next fiscal year.

Q I want to hold you to what you are mentioning now. You say you get your reports from the Division Engineers as to certain requirements?

A That is right.

Q Let us get clearly what those requirements are.

A Possibly under four general headings. The routine maintenance of the roads and highways is one item.

Q For what?

A For the upkeep --

Q No, for what period?

A For the coming fiscal year. Speaking now, we will be dealing with the 1955-1956 fiscal year, because the 1954-1955 fiscal year is already in the record, and approved by the Legislature.

Q That is for maintenance?

A That is one item. Another item is for construction. That is the one which involves most of the construction work.

Q Let us get that clearly. Who determines the construction in the first place?

A It is determined by consultation with all engineers, consultation with the hon. Minister, and the

announcement by the hon. Minister, as I mentioned a moment ago, as to which projects are to be dealt with.

Q Then the Division Engineer goes back with that knowledge, and he comes forward, under this item 2,

--

A In consultation with Head Office and engineers.

BY MR. JAMES:

Q New work for that year?

A Particularly the carry-over. It is the carry-over which, in most cases, is involved in the over-runs.

BY THE CHAIRMAN:

Q Let us deal with the two things, one by one, so this will be placed clearly in front of the Committee.

A Exactly.

Q I want to get very clearly what the Division Engineer has to do with it, and what Head Office has to do with it, at that point.

A There are 18 Division Engineers, and they compile a list of our things, the maintenance, which I have mentioned, the construction which is anticipated, the construction which is to be carried over additionally to contracts already going, and for other incidentals such as staff salaries, and other items which are compiled.

BY MR. OLIVER:

Q When you speak about the "carry-over", that

would be past, in most cases, the completion date?

A Not necessarily.

Q Not necessarily, perhaps, but very often?

A In recent years, we have been calling contracts in December which may go for a year or more. So a contract let in December will be carried over into the next fiscal year.

BY THE CHAIRMAN:

Q I am trying to keep to the duty of the Division Engineer, as you saw it in your time, and I ask you to tell us just what he would do in respect to the reports of carry-overs, at the time he would be reporting early in your fiscal year.

A I am speaking purely of carry-overs. He --

Q Needed for your calendar year?

A This comes up to the end of March.

Q He gives you the dollar figure?

A Yes, in money, to carry on his Division for the fiscal year.

BY MR. OLIVER:

Q When he gives you the dollar figure of the carry-over contract, that figure will be for the completion of the contract?

A If it is slated for completion within that fiscal year, but conceivably, it could even go into

another fiscal year.

Q One which had already been carried over, could go into another fiscal year?

A Yes, we have had contracts which carried over for three years.

BY THE CHAIRMAN:

Q I would like to follow that up. He would make a rough estimate of what it would cost to complete the contract?

A No. He tries to make an accurate estimate, as far as it lies within his power to do so. He attempts to give the amount needed in the fiscal year, which is largely on contracts running over from the previous fiscal year.

If the amount of the contract is not in excess of the original work order, provision for the amount of money should be then based on the contractor's figures, not upon the Departmental estimate -- the amount put down in the work order is the amount the contractor has bid.

Q You are talking about work orders; this would not be coincidental with this particular matter?

A Yes. There is a work order issued on every contract.

Q For extras?

A No, on the original work order, for the contract.

BY HON. MR. PORTER:

Q The work order is a normal thing which is given to start the work going, under any contract?

A The internal work order of the Department.

Q To start the contract number such-and-such?

A Yes.

Q There is another type of work order for extras, as the situation might develop?

A That is true, but they are practically the same thing.

Q They are work orders, one of which is given under somewhat different circumstances?

A That is right.

BY THE CHAIRMAN:

Q Holding to this question of the proposed carry-overs, you say that early in the calendar year, you get a dollar figure the engineer thinks is necessary to carry on a contract actually being executed?

A The request for the money he will need, either to complete the contract, or, if the contract is likely to go into the next fiscal year, to get enough money to carry him through that fiscal year.

Q You say the Division Engineer can do that with reasonable accuracy?

A With a reasonable degree of accuracy, subject to the same problems as outlined in regard to the original accuracy of estimates.

Q Now, so much for the carry-overs. In regard to the new contracts; that would be a matter for Head Office?

A On new contracts, it would be done somewhat in the same manner. But when the compilation is made by the Division Engineer, it is totalled up, and if something appears excessive, he will be questioned by various Head Office officials, starting, possibly, with the Contract Engineer in consultation with the Construction Engineer, then with the Financial Comptroller.

Mr. Zoller, for many years, as my assistant, was in charge of the two things, staff and finance. He is still in charge of the finance, as Comptroller.

BY THE CHAIRMAN:

Q I think you are getting away from my idea. I was mostly concerned with the over-runs.

A His responsibility is to give Head Office as accurate a picture as he can. If that money runs over the contract, it is sent back to the engineer for an explanation as to why his requirements over-ran the amount of the contract. The engineer gives that

information.

As you may have noted in my previous testimony, some contracts have been sent back two or three times for explanations as to why large sums of money over the amount of the contract were requested, and the explanation is given by the Division Engineer.

Q Just a moment, please. Right at that point; give me one of the large amounts, by way of illustration. Something you can draw out of your mind now, as a fairly large over-run, which was asked for.

A I can take the one you were discussing yesterday, the Wolfe Contract at Marathon.

Q You had a request there for over-runs?

A Yes.

Q What was the largest request you received in that district?

A I would say possibly not more than \$100,000. at one time.

Q Well, I will take \$100,000, as the figure. Having received a request for an over-run of \$100,000 from the Division Engineer, what did you do?

A I had it checked by my financial assistant, Mr. Zoller. He checked in turn with the Construction Engineer --

Q Who would that be at that time?

A At the time of this original contract, that was Mr. C. H. Nelson, who later became Chief Engineer.

Q We cannot call him. Who else?

A Mr. Frances.

BY MR. COLLINGS:

Q And Mr. A. A. Smith?

A Up until two years ago, he was Chief Engineer. It is going on three years since his retirement.

BY THE CHAIRMAN:

Q You say you would check it with Mr. Frances -- he is here and is available? -- a 100,000-dollar project.

A A 100,000-dollar over-run, over the amount of the contract.

Q What happened, following the discussion regarding a figure of that kind?

A It frequently happens that following up the questioning of the amount, Mr. Frances might even go to the road --

Q I would think he would go, almost as a matter of course.

A That is quite so, but this is in the dead of winter, near the end of the fiscal year.

At that time, we are extremely busy in Head Office, and I am frank to say the Construction Engineer was not able to go to as many projects personally, as was desirable.

Q Would you pass a 100,000-dollar account for extras without sending a construction engineer to the job?

A Very seldom, unless there were conditions such as the necessary changes in the Trans-Canada standards, which made it obvious to even Head Office, that there was justification, and the request was legitimately made.

 However, I think I can say in regard to any account in the sum of \$100,000, I would send the Construction Engineer, and it is conceivable, the Chief Engineer might go to the job, to find out if the request is justified.

Q We have to deal in generalities to some extent. It would be fair to say that the responsibility for over-runs is in the second line, in a major degree, and somebody at Head Office?

A I would go further and say it lies on the Deputy Minister.

 I have the final signature which appears on the request for over-runs. They are signed first by the Division Engineer, then the Construction Engineer, and sent by the Construction Engineer to the Chief Engineer, and by the Chief Engineer to the Deputy Minister.

BY MR. OLIVER:

Q Did you ever receive any instructions regarding

these over-runs?

A I can state that on numerous occasions, that in conferences with the hon. Minister, he said quite clearly to myself, members of the staff, and Division Engineers, that the over-runs were to be held down to an absolute minimum.

Q You feel they have been held down to an absolute minimum?

A I feel every effort was made to do so. Certainly, the record does not show they were held down.

BY THE CHAIRMAN:

Q Did you appreciate at the time the amount of the over-runs? Was it apparent in connection with the contracts awarded, that these over-runs were mounting?

A Very much so. From our information, in passing on these requests for funds to the Provincial Auditor and the Provincial Treasurer, they, in turn, questioned them, and they were sent back to the Department. They were questioned and questioned and questioned.

Intensive investigation was made to find out why so many of these jobs were running so high. But, as I have said before, it has to depend on the engineer's integrity.

It has been suggested in the Press I made the statement that the Division Engineers were classifying

the jobs. I did not make that statement. The evidence is here (indicating). I stated what was laid before me was a certificate signed by the Construction Engineer and the Chief Engineer, and I had to depend, as I recall my evidence, on the man in the field. That may be the Division Engineer.

When the Construction Engineer goes to the field, he is the man in the field. When the Chief Engineer goes to the field, he is in the field. And on very rare occasions, when I went to the field, I was there.

BY MR. OLIVER:

Q The responsibility is on Head Office?

A The final responsibility is, yes.

BY THE CHAIRMAN:

Q The actual making of it was made right in the field?

A I cannot see how anyone could make an engineering certificate without being in the field.

Q Yes, I agree with that. The actual classification would be made here in Head Office?

A That is the way it has to be, actually, because it is a province-wide problem. It has to be dealt with by one man, or, as we have it now, a group of men.

One of the weaknesses was the very great

responsibility being placed on one man to decide classifications. I say that in all frankness.

BY MR. WREN:

Q But after the decision was made on one of these accounts, you could not properly hold the Division Engineer responsible for it?

A Frankly, no. It was a combination of several opinions put together, and climaxed in the opinion of one man, which goes on the certificate which came to me.

BY MR. OLIVER:

Q Here you have a substantial over-run -- the figure of "\$100,000" was used -- in relation to any contract, did the hon. Minister ever suggest to you that you should allow these over-runs, or disallow them on other occasions?

A No sir. I can say without hesitation I do not believe until about two years or eighteen months ago, the hon. Minister had this matter called to his attention. It was an internal organization.

Q You mean he did not know there were these huge over-runs?

A Only from what I told him.. He knew there were over-runs --

Q If I was Deputy Minister and faced with these huge amounts of over-runs, the first thing I would do

would be to consult the Minister.

A I did.

Q What was his re-action?

A To do everything possible to hold them down. Certainly he did not favour them, and he did not give me any instructions to tolerate them.

BY MR. WREN:

Q In view of the huge over-run in the Marathon area, would you say you had diligently pursued your responsibility?

A I believe so. The jobs at the present time are so tremendously complicated in the country through which that line passes, that it is one of the toughest on the North American Continent, judging by the Trans-Canada standards which came on later.

Q Then why did you not insist on the Construction Engineer visiting the scene?

A In most cases, I did. I did in all cases where there were tremendous over-runs.

Q In the earlier days, he did not have time. It seems to me, I would see that he found time, before I signed anything.

A In January and February, things are moving awfully fast in Highways. The Legislative Session is coming up. There is the adjustments in Legislation

to be recommended. There are the estimates, and other things which require almost constant attendance in Toronto of the senior officials of any Department.

THE CHAIRMAN: Well, it is one o'clock and I think this is an appropriate time to adjourn until after luncheon. I will ask Mr. Millar to again take the stand, after we have received the brief from the Canadian Pacific Railway.

---The witness temporarily retired.

---Whereupon the further proceedings of this Committee adjourned until this afternoon at 2:40 o'clock, p.m.

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A F T E R N O O N S E S S I O N

Toronto, Ontario,
Wednesday, June 30th, 1954,
2:40 o'clock, p.m.

* - - - -

The further proceedings reconvened pursuant
to adjournment.

P R E S E N T :

Mr. A. Kelso Roberts, Q.C., Chairman,
Presiding.

Messrs. Hon. Dana Porter, Q.C.,

Collings,

Janes,

Mapledoram,

Herbert,

Dent,

Oliver,

Wren,

Grummett, Q.C.,

Mr. L. R. MacTavish, Q.C., Committee Counsel,

Mr. V. J. Johnson, Secretary.

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A P P E A R A N C E S :

Hon. G. H. Doucett, Minister,
Department of Highways.

Mr. M. A. Elson, Deputy Minister,
Department of Highways.

Mr. W. A. Clarke,	Chief Engineer, Department of Highways.
Mr. C. A. Robbins,	Chief Construction Engineer, Department of Highways.
Mr. H. A. Tregaskes,	Engineer, Trans-Canada Highway.
Mr. J. L. Zoller,	Financial Comptroller, Department of Highways.
Mr. Duncan Gordon,	Management Consultant.
Mr. Donald McQuigge,	President, Ontario Road-builders' Association.
Mr. D. H. Storm,	Vice-President, Ontario Roadbuilders' Association.
Mr. W. M. Philpott,	General Manager, Ontario Roadbuilders' Association.
Mr. J. D. Millar,	Deputy Minister, Department of Public Works.
Mr. Thomas Mahoney,	Secretary, Ontario Good Roads Association.
Mr. Peter Wright, Q.C.	For Honourable Mr. Winters, Minister, Department of Public Works, Ottawa.
Mr. R. D. Jennings, Q.C.	For the Standard Paving Company.
Mr. H. A. Cotnam, F.C.A.	Provincial Auditor, Ontario.
Mr. George Spence,	Assistant Auditor (Ontario).
Col. T. M. Medland,	Representing Professional Engineers' Association.
Mr. Fred Duncan,	For the Liberal Party.
Mr. Tuttey,	Manager, United States Fidelity and Guaranty Company.
Mr. G. W. Miller,	Engineer of Maintenance of Way, Canadian Pacific Railways.

THE CHAIRMAN: Gentlemen, we will come to order.

The Chief Engineer of the Canadian Pacific Railway has very kindly volunteered to meet us today. He has had an opportunity of discussing general problems with the Deputy Minister and the Chief Engineer of the Highways Department, and also has seen the Woods, Gordon Report.

I do not know whether he has any brief in printed form.

MR. MILLER: No, I have no brief, Mr. Chairman, but I will be glad to answer any questions.

GEORGE W. MILLER,

Engineer of Maintenance of Way, Canadian Pacific Railway, appearing before the Committee, and who having been duly sworn, testifies as follows:

BY THE CHAIRMAN:

Q Mr. Miller, you are the Chief Engineer of the Canadian Pacific Railway?

A I am the Engineer of Maintenance of Way. That is my title. I am in charge of the maintenance program of the Canadian Pacific Railway for Eastern Canada, from Fort William to Halifax.

Q Have you made an examination of the Woods, Gordon Report?

A Yes. I have read it through with interest.

Q I think perhaps this Committee will be interested in hearing your method of handling tenders, just by way of comparison. If you will be kind enough to start with your system of calling for tenders and outline how your procedure works.

A I will be very glad to do that.

Canadian Pacific Engineering Department is broken down, including the region of which I am in charge. It is a district which comprises most of Ontario. Under a district engineer, there are four division engineers, and there are three or four other districts in my territory.

I am out-lining this to you so you will have an appreciation of the chain of responsibility.

The division engineer is in charge of some 700 to 1,000 miles of track, and directly in charge of the maintenance and construction work in that territory.

As soon as he has authority to carry out a project -- I will use as an example the construction of a bridge, if you like -- he will use our regular specification forms and proposal forms, and he will call for tenders.

If the amount is not too great -- and I will use as an example, under \$50,000 -- he will open the

tenders on the day on which they closed, accompanied by perhaps one or two people, usually of the engineering department.

He will summarize those tenders. This is all done within the confines of his own witnesses. There are no witnesses to the openings of the tenders, except from his own engineering department.

The tenders are summarized, and he makes his recommendation to the district engineer, listing a lump-sum price, or a unit price, as the case may be, in the order they appear, the lowest tender, as regards the highest tender, is at the bottom. He may or may not recommend the lowest tender.

If the amount of money involved is \$500. or less, he has authority to let the contract himself. If the amount is \$1,000. or less, the district engineer has authority to let the contract. If the amount is \$25,000 down to \$1,000, I have authority to let that contract. If the amount exceeds \$25,000, then it goes before our Chief Engineer at Headquarters.

When these tenders are summarized and forwarded to the District Engineer, the engineer who originally called for the bids makes his recommendation, and, as I said before, he does not necessarily take the lowest tender.

It is always specified in our tender form, when we call for tenders, that the lowest or any tender may not be accepted.

BY MR. JAMES:

Q On what grounds do you not necessarily accept the lowest tender?

A I will answer that in a round-about way. We select our contractors and very seldom advertise. We have a list of contractors in each territory whom we know are capable of carrying out a project of a certain magnitude. Perhaps they may have handled work for us before, or for some other railway department, and we feel reasonably sure that he can handle it. So we invite them to bid.

Occasionally, some contractor will bid and make a mistake in his bid, or he may not have the equipment to do the job quickly, and he may have two or three other jobs on hand, and we know he could not finish it within the time limit, and we may decline his tender.

BY THE CHAIRMAN:

Q Even though it is the lowest?

A Yes, even though it is the lowest.

Occasionally, if we find a man has made a mistake or does not know the facts, we may call him in and say, "Look, you bid here and we think you are too low.

If you take this contract, we feel you will lose a lot of money on it". We give him the option of withdrawing his tender, but we do not permit him to revise his tender.

In our opinion, that is a good way of dealing with the contractors who may not know the facts, who may not have visited the site, who may have bid too low, or may have made a mistake.

Q In order to give him intelligent information on that, you have to do certain preliminary work, yourselves?

A Yes.

Q Will you tell us what your practice is in regard to pre-engineering, before calling for tenders?

A The practice is, roughly, as follows: someone outside this project is necessary. The division engineer on the ground makes a preliminary estimate, and that is forwarded to management, and they decide we will go ahead, or not go ahead. If it is "go ahead", that means we continue our engineering studies. We endeavour to complete in a preliminary way, sufficient engineering studies to permit us to get authority to spend the money.

I may say that our engineers are all cautioned at all times, that they have a definite amount of money to spend, and they must not exceed that amount, without

putting themselves in jeopardy with respect to a particular project, or their own position.

We are very strict about money matters.

BY MR. WREN:

Q Is that engineering data available to contractors?

A No.

BY THE CHAIRMAN:

Q The first step is a survey party is sent out?

A A survey party is established on the ground, and they complete as much as possible of the detailed survey, and a determination of the quantities of materials supplied, before we call for tenders.

Q You might take how long to do that preliminary job?

A That, of course, depends on the magnitude of the project. It could take six months in the location of a railway 40 miles long. It might take a week, if the job is only a few hundred yards long.

Q Having got that -- will you go on from there, please?

A Having secured the detailed survey information, we endeavour to incorporate as accurately as we can in the tender form, the quantities of materials which the contractor will have to remove or supply, in order to complete the project. Those quantities are stated in

the proposal form to be approximate and subject to variations depending on the conditions found later on.

For example, they would make a survey in the winter-time, and you do not know how deep the muskeg is, and it may be necessary, when you start to build your railroad in the summer-time, to excavate part of that muskeg.

That type of thing is something upon which it is not easy for a contractor to bid, nor easy to estimate the quantities of materials involved. But we endeavour to break down the earth or other matter -- we only have two excavations at the present time, and the other is rock -- and we set out the quantities of each type of material as close as we can. The contractor then has the information of the amount of material in each mile of railroad, as near as we can determine.

THE CHAIRMAN: Just on that point, Mr. Miller: when you make up your estimate, it goes through quite a chain of authority before it is ready to call for tenders?

THE WITNESS: At the time we are reasonably sure of the quantities of material there are, the engineer will determine, from local conditions, the approximate cost of moving that material, and he will prepare a detailed estimate of the cost of the project, and that

will then be forwarded, through our chain of command, to the President of our Company.

That detailed estimate is subjected to very careful scrutiny from the accounting point of view, to determine whether we have a betterment, whether determination of the accounting applies, or whether it is just ordinary maintenance work.

BY THE CHAIRMAN:

Q You say it goes through the chain of command up to the President?

A That is right. The President of the Company is the man who approves all expenditures from \$1,000. up.

Q So these estimates are passed along through your own department, and actually are seen by the President of the Canadian Pacific Railway?

A That is right. There are some variations in that.

Sometimes, we call for tenders before the engineering is approved. At times, the engineer may be able to determine the quantities and the price. And in most cases, his estimate will be accepted as authority. If the amount of money is \$100,000, and he calls for tenders, but the contract looks as though it will cost \$110,000, he cannot proceed with the work.

Supposing we assume a contract will be \$90,000,

and he has authority for \$100,000. He has no authority to exceed the \$100,000, without further authority to spend money, and that has to be handled again through the chain of command, right through to the President of the Company.

Q When you call for tenders, do you allow a substantial amount for contingencies?

A The usual practice is 10 percent. in our work. We have used as high as 15 percent. or 20 percent. during the past three or four years, when prices were rising, and we were not sure when we would get the steel for a bridge, for instance. The bridge companies would not get us a firm price, and we will allow more contingencies in those cases.

BY MR. COLLINGS:

Q What is the situation if you run up against this muskeg which has to be cleaned out, where you cannot determine what the cost would be?

A That, of necessity, must be handled in the most economical way, so it is done by contract.

We may hire a contractor to put in his own equipment to excavate the muskeg, or he may use dynamite to break it up.

There is a provision in our contract for that type of work at cost plus 10 percent.

Q But your engineer would have to go back and get authority to spend that money?

A Oh, yes.

BY THE CHAIRMAN:

Q Then, Mr. Miller, may it be said you call for bids, and your view is that most of those bids have some relation to your estimate, before you accept them?

A The essential control is that the cost of the project may not exceed the amount of money authorized to be spent on that project, and you may not divert money from one project for another project. Each has to stand on its own feet.

BY MR. WREN:

Q The engineering would have to be pretty good at all times?

A We are very careful about that. Each authority for expenditure is carefully reviewed by experts. If it is a bridge, the bridge engineers go over it very carefully; if it is a building, the building engineer, and for other work, other experts are utilized.

Each project is examined by experts at Headquarters,,to be sure the quantity is reasonably accurate, and the unit prices are close.

Q Have you any idea what the average might be as between your own estimate, and the contractors'?

What percentage would you be out in your estimate, if any?

A That varies. I do not think we are out on an average more than 15 percent.

I have under my jurisdiction now, about 200 different projects, and at the end of the year, from past experience, we will find we have about 15 percent. of the money left over. Sometimes, it will run up close to it, but at other times, it may be 25 percent. under -- but never over.

Q You never go over?

A No sir, not without authority. We usually get the authority without any difficulty, if there is any reasonable explanation for it.

Obviously, with firms such as ours, we cannot let things go loosely, and let anybody spend money, without authority to do so.

BY THE CHAIRMAN:

Q How do you find the time for completion works out?

A We have had no difficulty, barring a few minor cases, in having the work completed on the completion date specified in the contract.

Q Do you insist on that, pretty well?

A We certainly do.

BY MR. JAMES:

Q You are getting another work order for muskeg or something you ran into and did not know was there? What percentage would that be -- "over-runs" you might call it.

A It varies, with each project, of course.

Q Yes.

A I cannot say. If we were building a new station, for instance, it might vary \$1,000. out of \$200,000. It varies with each project.

Q I was thinking about building a piece of railroad.

A It would not amount to a very large percentage. It depends on the location.

If you estimate is reasonably accurate regarding the materials, and you have adequate time to engineer the project, you should have a fairly close figure.

BY THE CHAIRMAN:

Q Have you had difficulty getting engineers for your Company?

A Yes, we have.

Q Have you had an adequate number over the last ten years?

A I would say we just have had enough. We could

have used more, but it has been very close. We have had to take a number of men who are not graduates. I have endeavoured to use professional engineers in our railroad work.

Q In regard to the supervision of contracts: do you put a resident engineer out on the job, on your behalf?

A All the contracts are supervised in one way or another, depending on the magnitude of the work.

BY HON. MR. PORTER:

Q Would you give us some idea of the magnitude of your program for construction in the last year?

A I am directly in charge of expenditures up to \$40 million per year.

Q That is, for the whole of Eastern Canada, from Fort William to Halifax?

Q And does that include building bridges, lines, or anything you might mention?

A Everything pertaining to the maintenance of the railway itself -- the fixed property.

Q Mr. Miller, let me ask you this question: as an expert, do you feel you are qualified to give us an expert answer on this?

We realize there are many factors in determining the costs of the excavation of rock and earth. Would

you give us your general idea, from your experience in the railroad business?

A Are you speaking of unit prices?

Q Yes, the unit prices.

A That, Mr. Chairman, depends on so many factors.

As you no doubt have found out in your investigation, if you have a whole mountain of sand to move, you might move it for 25 cents a yard, to move it a thousand feet, but if you had a few thousand yards of earth, and had to move it a mile, it might cost you 50 cents.

It depends on the accessability of roads and the type of equipment required.

Insofar as rock is concerned, any figure under \$1.80 is getting pretty close to the bottom of the barrel. In other words, a contractor will not make much money under \$1.80, unless it was a project such as the Causeway built in Prince Edward Island, where thousands of tons of rock was to be moved.

Rock may go up to \$3.00 a yard, depending on the weather, the time of year, and the distance to be hauled.

BY MR. WREN:

Q Up in the Schrieber country, on your railway, if you got a bid for \$1.00 a yard, you would call him in?

A Yes.

Q And tell him his bid was not realistic?

A Yes.

Q In that same area, what would you expect there as a unit price for rock?

A I believe it runs up over \$2.00. I have no figures at my fingertips, but I believe it runs over \$2.00.

BY MR. COLLINGS:

Q For rock?

A Yes.

Q \$1.67 would be a fair price?

A I do not know whether that would be a fair price or not.

MR. OLIVER: \$1.67 might be, but some of them let them for 89 cents.

THE CHAIRMAN: Let us permit the witness to finish, from his experience in moving rock.

THE WITNESS: I would say the cost for moving rock would be \$2.00 a yard, and I would not be concerned if the contractor made any money on it. If it was below that, I would be concerned about his losing money.

BY MR. COLLINGS:

Q Would you care to express an opinion about moving earth in that area?

A The cost of moving earth in large volumes is caused by the heavy Letourneau equipment, which is fairly even across the country.

I think between 40 cents and 50 cents is about the average price across Eastern Canada.

BY MR. JAMES:

Q What do you do when you run into earth full of large boulders?

A Have a specification prepared for that.

BY THE CHAIRMAN:

Q What is your classification of "earth" and "boulders"?

A A large boulder, one cubic yard; that is "solid rock". Anything less than that, is "other material".

BY MR. JAMES:

Q What about a gravel pit which is full of those boulders?

A So long as the boulders are less than one cubic yard, the classification is "other material".

BY THE CHAIRMAN:

Q On the question of salaries; I think you were good enough to say you would let us have some information on that, but I do not know whether you want to put it in the record publicly or not. It is up to you.

If there is no objection, we might have it now.

A The starting wage is the only figure I have at my fingertips.

For a university graduate, or resident professional engineer, the starting wage is approximately \$305. per month, plus expenses, away from his headquarters.

Having completed six months with the railway, he is given \$15.00 increase; the second six months, another \$15.00; and the second year, another \$15.00, and I believe at the end of the third year, he gets another \$15.00.

That is the limit of salary increases until he is assigned to a position where more responsibility is required.

BY MR. JAMES:

Q That is about \$4,250., is it not?

A We comply fairly close with the schedule of minimum salaries, which has been recommended by the Association of Professional Engineers, for most of the provinces in Canada. I presume you have a copy of that?

THE CHAIRMAN: We had some information on it this morning.

BY THE CHAIRMAN:

Q Would you care to mention when you get into

the more senior positions? I believe "road master" is the next step up?

A The road master is paid \$480. and he is directly in charge of about 150 to 200 men, and a stretch of track 130 miles long.

Q Then you go to the divisional engineers?

A A divisional engineer is paid \$605. He is in charge of some 700 to 1,000 miles of track.

Q And the district engineer?

A I think the district engineer receives about \$800.

Q I have a note here that it is "\$835."

A Thank you.

I might point out there that we have a chain of command which permits about five or six division engineers to report to one man. I am just mentioning that, because in the Wood, Gordon Report, the suggestion was that 18 division engineers should report to one man. I thought I would draw that to your attention. It looks to me, if 18 people were reporting to one man, it would put that one man in a very busy position.

I think it is impossible for one man to supervise 18 separate, different groups of operations. I hope you do not mind my mentioning that.

THE CHAIRMAN: We will be very glad to have any

comments you want to make in regard to the Wodd, Gordon Report.

THE WITNESS: I am not in a position to criticise it, because I do not know the inner workings of the Department, and I have only read it over, and can only relate it to our experience.

BY MR. COLLINGS:

Q Would you care to make any comment on the pre-classification of contractors?

A Certain types of pre-classification of contractors is absolutely necessary. It is not reasonable, nor fair, nor practicable, to put a notice in the paper inviting all and sundry to bid on a job, and take the lowest bidder. You just cannot operate, without getting into difficulties. Our engineers are watching out for that.

We have had some experience, like everybody else. We prefer to select our own contractors, men whom we know are good contractors. We try to get three or four, or even ten, if necessary.

If a contractor comes to us and says, "I would like to bid on that job; may I have a copy of your plans?", we may or may not let him bid, but we may look up his qualifications and the type of work he has done.

BY MR. JANES:

Q Do you require a bond from a contractor?

A No sir, we do not.

BY MR. WREN:

Q Why do you not ask for a bond?

A I think the best way to illustrate that is by saying we have had no trouble in having our contracts completed.

Q You mean by your method of selection, you get good contractors?

A Yes.

BY MR. GRUMMETT, Q.C.:

Q Your own preliminary work is your bond?

A That is right. We have never had any occasion to use a bond.

Once in a while we will get a contractor who does not finish a job, and we may have to take it out of his hands, but that is very, very seldom.

BY MR. OLIVER:

Q You carry your own insurance, I take it?

A Yes, sir.

BY THE CHAIRMAN:

Q Mr. Miller, I would like to ask you this question: we have had several different views in New York and North Dakota and other places, on the question of gifts.

I wonder if you have any problem of that sort,

in regard to gifts, in your organization, and whether it is a practical problem with you.

A It is not a practical problem.

Q There are no prohibitory rules?

A There are no prohibitory rules, and it is not a problem.

If a contractor does send a gift to an engineer at Christmas time, it is my feeling -- and I know it is the feeling of all the engineers -- that it is a token of friendly relationship between the two parties, and has no bearing on the letting of contracts whatsoever.

THE CHAIRMAN: Thank you very much. Has anybody any questions to ask?

We appreciate the opportunity of talking to you, and thank you for coming.

THE WITNESS: Perhaps you might be interested in one phase of railway activities, closely associated with highway work.

I am the President of the American Railways Association this year, and that Association prepares plans and specifications, and recommends practices for all types of railway work all over North America. We find that the Association has developed new project standards and plans, which can be used to advantage by every railroad in the country.

There is a similar association in regard to highway work. I refer to the American Association of Highway Officials. Their work is outstanding, and they have a manual of the recommended practices, which I strongly recommend to any concern or any engineer who takes an interest in what is going on outside of their own bailiwick, as it contains the latest technical advice in the advance of the Art.

That is a brief statement, which I think is alright.

THE CHAIRMAN: Thank you very much.

THE WITNESS: If there are any further questions, or further information which I can give, I will be very glad to supply it.

THE CHAIRMAN: Will you convey to Mr. Bailey the appreciation of this Committee for his co-operation?

THE WITNESS: I will be glad to do that, sir.

---The witness retired.

A L A N T. T U T T E Y,

Manager of the U.S. Fidelity and Guaranty Company,
appearing before the Committee, and being duly sworn,
testifies as follows:

BY THE CHAIRMAN:

Q We have had quite a discussion on bonds here,

and have learned a great deal in our various enquiries in other jurisdictions, and hon. Mr. Porter has a resolution, which he presented yesterday, which I might read to you. It will be presented to the Committee for voting in a few minutes.

The resolution is as follows;

"The Attorney-General be requested to retain counsel for the purpose of studying and advising upon the present contract bonding practices and forms of the Department of Highways, and that in so doing, such counsel be requested to have regard to the corresponding practices and forms in England, New York State, North Dakota, representative municipalities in Ontario, and such other jurisdictions as he deems fit."

Some of the members of this Committee felt that while we were discussing the subject of bonds, it would be appropriate to have somebody from the bond industry here, and I assume, when this is passed, and put into execution, your attorneys might want to sit in at the preparation of the wording of the forms. I am sure that would be satisfactory.

At this point, there may be some questions which some of the members of the Committee may want

to ask.

BY MR. WREN:

Q My first question, Mr. Tuttey, would be this: when you get an application from "X" contracting company to provide them with a bond, what kind of an investigation do you make of that company?

A In the first place, our application asks quite a few questions. I did not bring one with me, but I will try to run them down.

It starts off with the name of the contractor, his address, and, if incorporated, where the principal officers are.

Then it goes on to enquire as to the amount of the bond, the amount of the contract, the nature of the company in whose favour the bond is to be made, and so forth.

We ask him what other work he has on hand, and if it is a new contractor, we want to know his banker, and the supply houses, and other references, and the names of any engineers for whom he has worked before.

He gives us that application, with a copy of his audited financial statement, and a copy of the contract, where possible.

Q Does any professional engineer make an investigation to look over the contract form, and then

perhaps look over the job?

A No, we have not been in the practice of doing that. We have in our home office, a professional engineer, but very rarely do we get that information from him.

BY THE CHAIRMAN:

Q Mr. Tuttey, we have been in New York State, and we learned that the representatives of the bonding companies are always present at the letting of the contracts. They seem to be very much interested in knowing what is going on at that stage. Have you any similar procedure here?

A No, we have not. We try to get the information as soon as it is available.

BY MR. WREN:

Q Does your head office get a set of the plans and specifications?

A I am referring now to the Toronto Transportation Commission. We had a bond interest in their subway work, and we got a copy of their plans and specifications.

Q Do you do the same thing with highways?

A Not so far.

Q How can you tell if a bid is realistic, and that a contractor can come within his time?

A Simply from the type of contractor, and from

understanding him, and the jobs he has done in the past. We try to make up our own minds as to whether or not he can do that job.

Q In other words, the broker is the principal investigator in the making out of the form?

A You are referring to the agent?

Q Yes.

A He simply completes the application; that is all.

HON. MR. PORTER:

Q You only have one standard form?

A Our Company has one standard form.

Q There is only one form of bond used?

A One form of bond, as far as the Department of Highways is concerned. It is a standard form of bond.

BY MR. COLLINGS;

Q The agent could take the contract, and forward it to the head office?

A Yes, quite often the agent will send the completed application in to us.

Q You do not decide on the bond? That is done by head office?

A Yes.

BY MR. OLIVER:

Q Did you hold the bond on the Fort York Company, on the Atikokan road?

A Yes, we held that.

Q That was taken over by another contractor?

A It is in the hands of our commercial department,
yes.

Q Is it the Malvern Construction Company?

A Yes.

BY MR. WREN:

Q In that Fort York contract, or any other contract like it, you guarantee to complete the project and pay the wages and other accounts owing, and pay each account or do you merely agree to finish the job according to the standards laid down by the government?

A Our guarantee is for a penalty in the bond. If we have a \$100,000 bond for the Department of Highways, it is a performance bond, and also, to a certain extent, a guarantee of labour and material.

Q Up to \$100,000?

A Up to the amount of our bond.

If we issue a \$100,000 bond, and it costs us \$100,000. to complete the job, and there are other outside bills, we have paid up to the limit of our liability.

BY MR. COLLINGS:

Q Where would the contractor take out the bond --

A As I understand, it is supposed to be a 100

percent. bond.

Q If it came to your knowledge that there was an over-run on the job, what would be your policy and procedure?

A Could I have your understanding of "over-run"? I want to make sure I know what you are thinking of.

Q Alright. Let us take a contract of, say, \$200,000 or \$300,000, and during the running of the contract, it may exceed \$500,000, or \$600,000; you might not get to know that, but if it does come to your knowledge, what do you do?

A There is not very much we can do. We have put up the \$200,000 to start with, and by the time the job is finished, it might have gone to \$300,000, or \$400,000, but all we have is a \$200,000 bond.

BY HON. MR. PORTER:

Q You have a \$200,000 bond, whether there is an over-run or not?

A Yes.

BY MR. COLLINGS:

Q Have you ever asked a contractor for a further premium on the extension of a job?

A Before my time, they tried to get it.

Q You asked contractors for further premiums, for increasing the bond by another \$100,000?

A No; we never increase the bond.

BY THE CHAIRMAN:

Q I think the general point would be that the contract would be performed?

A We guarantee the performance of the contract.

Q But only up to a specified amount.

A The penalty of the bond.

BY MR. COLLINGS:

Q Supposing the contractor has completed the amount of the bond in work, and let us assume he has paid for his material and labour; what about the additional cost of completing the job?

A If it is part of the original contract, we would be responsible for it, up to the amount of our bond, again.

BY THE CHAIRMAN:

Q Extras provided for in the original bond are all part of the contract, and the extras just come in incidentally?

A Yes, that is my opinion.

BY HON. MR. PORTER:

Q In the absence of any ruling, that is the position you take?

A Yes.

BY MR. COLLINGS:

Q If the contractor had under-bid himself, and

got the contract, and asked for a bond, and the job is costing double the amount, or more, an increase of 100 percent., 200 percent., and at the end of the 200,000-dollar-mark, the government calls on you to perform your bond, you would continue and do another \$200,000 worth of work?

A If there is that amount of the original contract still to be done.

Q That is the question.

THE CHAIRMAN: That might be a legal point.

MR. COLLINGS: I want to see if the province is protected by those bonds.

Let us go at it again. The contractor secures a contract at the let price, and \$200,000 is the amount of the contract.

In his estimate, when preparing his bid, he has had in his calculations, the moving of earth and rock, and it cost \$400,000 to complete that job.

Now, let us assume that he has, up to a certain point, built the highway to the extent of \$200,000 in material and wages. He then says that he cannot complete. The government calls on you to exercise the bond, and complete the job. Will you then pay the \$200,000 to complete the job, that was called for \$200,000, but actually cost \$400,000?

MR. GRUMMETT, Q.C.: \$200,000 has already been expended.

MR. JANES: But it has not cost the bonding company anything, so far.

THE WITNESS: May I give you an example which may answer your question? I am not here to "hedge" on this at all.

Let us say the contract for earth only --

BY MR. COLLINGS:

Q The job, at \$200,000, is only 50 percent completed, and the contractor has got himself into difficulty and says he cannot continue.

In what position is the province in reference to your bond?

MR. JANES: You have not spent any money.

THE WITNESS: I understand that.

BY MR. COLLINGS:

Q The amount of the contract was \$200,000 and that is what your bond calls for. Up to the present, let us assume they have spent on material and wages, \$200,000 --

A Not exactly.

Q Let us see if we can get an example of this. Let us say the estimate calls for 100,00 yards of earth -- and I use \$1.00 to get easy figures. Then the contract

would be \$100,000?

The original estimate of 100,000 yards, by the time he gets three-quarters of the way through, it has risen to 150,000 yards to finish the job, because of something which has arisen during the progress of the work. The government might have paid \$100,000 on the first 100,000 yards of earth, but the contractor cannot move that last 50,000 yards of earth, for which it was agreed he should be paid \$1.00 per yard for moving "X" number of yards.

A Then we might have to get another contractor in and pay him \$1.50 per yard, so the loss would be 50 cents a yard on the extra 50,000 yards.

Q Supposing the contractor had agreed to move 125,000 cubic yards of earth, and to finish the job, he had moved 339,000 cubic yards of earth. He contracted to move 100,000 yards of rock, and he finally moved 259,000 cubic yards of rock.

Your bond covers, say, \$100,000, and the completed job was over \$600,000.

Let us assume that half-way along, he got into financial difficulties. He had done all the work he had agreed to, under the original contract; what position would the province be in as to getting that job completed up to the amount of your bond? We just

want to know where we are today.

A I will try to answer it this way; under the contract, the contractor has a unit price per yard. The minute he has moved whatever yardage is required at that price, our guarantee is limited to the amount of the bond.

Even if the original was 100,000 yards and he has moved 100,000 yards, but to fulfill his contract, there is another 100,000 yards to move, in my opinion, we are still responsible for the moving of the extra 100,000 yards.

BY HON. MR. PORTER:

Q You are liable up to the \$100,000. If it costs more, the government will have to pay the difference?

A That is right. These are indemnity bonds.

BY MR. OLIVER:

Q In that case, you would only get half the premium?

A That is right.

BY MR. COLLINGS:

Q That is the point I am getting at; had the contractor known it was going to take \$400,000 to do the job, would you not have asked for a premium to cover a bond of \$400,000?

A Does the contractor know what size it is going to be?

BY HON. MR. PORTER:

Q The bond is tied up with the terms of the contract. The contract price calls for the amount of rock actually moved, and if there is more rock or earth moved, than the estimate calls for , the bond still covers that, but you are limited to \$200,000?

THE CHAIRMAN: I think that is clear.

MR. GRUMMETT, Q.C.: The amount of money paid under the contract, has no bearing to the amount of money paid to the contractor?

HON. MR. PORTER: That is right. I suppose, for all practical purposes, when the first \$100,000 of work has been done, they must be paid for work and material up to that time, or it would have stopped long before, so, from the government's point of view, it could be adequately protected by the \$200,000 bond.

It is the bonding company which is out the extra premium. I do not know why we should worry about it.

BY MR. WREN:

Q If, when you start out to do that \$100,000 worth of work, and there are outstanding accounts in the first \$100,000 for wages and materials; what happens then?

HON. MR. PORTER: They could not proceed very

long with those outstanding claims, without defaulting.

MR. WREN: We are assuming the company has defaulted, and the Bonding Company has taken over.

HON. MR. PORTER: They could not carry out any additional work, unless they went into default.

THE WITNESS: The Bonding Company has taken over the contract, for "X" yards to complete and there are still some unpaid claims?

BY MR. WREN:

Q Yes.

A I believe we have to complete the job first.

BY THE CHAIRMAN:

Q That is your opinion?

A I believe our first obligation is to complete the contract. If it cost us the amount of the bond to complete the contract, there is nothing left for unpaid bills.

BY MR. WREN:

Q When do you determine that the pastdue bills will be paid? Do you wait until you finish the job, to see if there is anything left? In other words, would the people have to wait these many months?

A They would have to, because if we paid them first, we might not have enough left to finish the job.

Q Then your only liability is to complete the job?

A To complete the job, first. That is our first obligation.

Q Is there a legal obligation to pay pastdue bills at all? In your Bond, is there any legal obligation to pay pastdue wages, for instance?

A We guarantee the terms of the contract.

THE CHAIRMAN: I think this Committee is considering very seriously recommending that in the future, there be not only a performance bond, but a labour and material bond. If there was a labour and material bond, in the future, there would be no difficulty.

HON. MR. PORTER: Is there anything in the contract which provides that a contractor must pay his wages and accounts, and anything of that kind?

THE WITNESS: Yes, there is.

BY HON. MR..PORTER:

Q In the general contract?

A Yes.

Q That is where your liability would come in for any pastdue bills?

A Yes.

BY MR. COLLINGS:

Q When the Bonding Company comes in to take over,

and they find \$25,000 worth of unpaid bills, which included labour and material, your first obligation would be to pay those accounts, if we are going to recommend a change in the bond. So you would only have \$175,000 "on tap", and could only complete \$175,000 worth of work?

A That is right.

Q And, in the end, the government would have to come in and pay the \$25,000 to complete the job?

A Yes. These are indemnity bonds. We indemnify, as a right. First of all, it is only a right. When it is over, the government may not have lost any money. Some people may have lost some money, but the government has not.

HON. MR. PORTER: I think that is perfectly clear.

THE CHAIRMAN: Are there any other questions?
(No response).

BY THE CHAIRMAN:

Q You would not, at this moment, see any objection from the Bonding Company's standpoint, to having the two bonds?

A No, it is quite a common practice in the United States, to have two bonds.

BY MR. WREN:

Q Did you require any guarantee from your

Malvern Company to complete the work of the Wolfe Construction Company, if you had known there was an over-run?

A We do not consider over-runs at all in issuing a bond. If there is a contract for \$109,000 we are guaranteeing, we are figuring that \$100,000 is the final figure. It may go over that, or it may be less.

Q Is Malvern required to indemnify you for any loss?

A That is a very confidential question.

Q Yes, but we have had people here in this country who went for months without their wages being paid.

BY MR. MAPLEDORAM:

Q Are the wages paid yet?

A I am not familiar with the transaction. That is handled by our commercial department.

BY MR. COLLINGS:

Q I understand the Fort York Company had two contracts?

A I believe they did.

Q And you were satisfied yourselves, when you took on both bonds, that the Company was at that time -- at least, you thought -- capable of carrying out their contract?

A That is right.

BY MR. OLIVER:

Q You did not have a personal guarantee from any of the directors of the Fort York Company?

A That is common practice, in Bonding Companies.

Q Did you, in this case?

A I do not know whether I can answer that question.

BY MR. COLLINGS:

Q The government is protected for the completion of the work?

A That is right; they have our bond.

BY MR. JANES:

Q That is far as we are interested, right now.

A I understand.

BY MR. OLIVER:

Q I think we should know if this is a typical method of dealing with the situations of this kind.

A I would not say 100 percent. of the cases, but it is quite a common practice in limited companies to have the principal officers give personal guarantees.

Q Do you say in this case, you did?

MR. COLLINGS: I think the witness might have to refer to his records, in order to answer that.

HON. MR. PORTER: I do not see what difference it makes. That is between the Company and the Bonding Company.

BY MR. OLIVER:

Q In this particular case, of course, we have a man who is the head of a contracting company, and I want to know if the practice is the same with all companies? Is that ordinary practice, with a Bonding Company?

A It is not an uncommon practice to get personal guarantees from the directors. I would not like to give it in percentages, but we quite often ask for personal guarantees of the officers.

BY THE CHAIRMAN:

Q You ask that right at the time you give the bond?

A That is right.

BY MR. COLLINGS:

Q That is based on past performances?

A Yes.

BY MR. WREN:

Q Why would you think you should ask for a personal guarantee?

A The company might not show sufficient assets for the job for which they are bidding.

BY MR. OLIVER:

Q What is the premium rate?

A \$5.25 per \$1,000. of contract price.

Q How long has it been at that rate?

A A \$100,000-contract would cost \$525.00.

BY THE CHAIRMAN:

Q I am trying to reconcile that with some figures given the other day -- .75 percent.

A The \$5.25 is one, and the other is the differential.

Q Would you look at page 25 of the Ontario Roadbuilders' brief, and you will see it was stated in evidence that the rates~~here~~ are the same as that.

A This (indicating) is the American rate?

Q Yes.

A They are giving percentages, whereas I am giving per \$1,000. Their rates have been reduced from \$15.00 per thousand to \$7.00 per thousand.

Our rate is \$5.25 per thousand.

Q Yours is lower?

A Yes, ours is lower.

BY MR. WREN:

Q What will the rate be if there is no classification for future contracts?

A I can only speak for my own Company. I do not think there will be any change in the rate.

Q A few companies have "gone under" because of classification. If you had known in the past there

would be no classification on this work, but the price of the contract would be the final price --

A It would be the same.

Q It would be just the same?

A Yes.

Q No difference?

A No.

BY MR. OLIVER:

Q Has there been an increase of rates, and if so, when?

A No, sir. There has been a reduction in rates, but I am not sure of the year. I think it was in 1945 or 1946.

Q You might tell the Committee up until the time of this Fort York-Malvern trouble, how many times have you been called upon to fulfill a contract?

A I cannot recall one in the last few years.

Q You cannot recall one?

A Not in our Company. I may be wrong. That is handled by the claims department, and I am not connected with that department.

BY MR. WREN:

Q Did any other company give an indication that they might be in difficulties?

A I cannot recall any.

BY MR. OLIVER:

Q What percentage of the total Highway work will your Company bond?

A Right here, I cannot say. It runs in cycles.

BY MR. COLLINGS:

Q Does the date of completion of the contract have any bearing on the bond?

A There is no mention of a completion date in our bond. In other words, the bond is an open-end affair, but when it comes to a certain date, we cannot say, "That is too bad; we are off of it".

 The bond goes along until the contract is completed, or something is done with it.

BY MR. GRUMMETT, Q.C.:

Q When a contractor falls down, and you have to step in, you take over the contract and endeavour to finish it, then you would engage another contractor to finish it for you, would you not?

A I would say "Yes".

Q Do you go back to the Department and consult them as to what contractor you should or should not engage to finish that contract?

A To be perfectly truthful, I cannot tell you what arrangements were made on this particular one -- the Fort York.

Q You do not know whether the engaging of a new contractor was on your initiative, or the initiative of the government?

A No, our Mr. Agnew, of the claims department, could tell you that.

BY MR. COLLINGS:

Q That is handled by another department"

A Yes.

BY MR. WREN:

Q Is Wilson & Company one of your agents?

A Yes.

Q Do they write much Highway work?

A They have a number of accounts with us. What they have with other companies, I do not know.

Q What percentage of your total would they write?

A I am afraid I cannot answer that. They might handle certain accounts, let us say, the "X" construction company, and one year they might get five jobs, and we would get the five. If the "X" company did not get any, we would not have any, either.

BY MR. COLLINGS:

Q Is this company a licensed broker?

A Oh, yes.

Q Capable of doing business?

A Yes.

THE CHAIRMAN: Are there any other questions?

(No response).

Thank you very much for coming, Mr. Tuttey.

---The witness retired.

J. D. MILLAR,

Deputy Minister, Department of Public Works, a witness previously heard, now recalled, and having been already sworn, continues his testimony as follows:

BY THE CHAIRMAN:

Q Will you proceed, Mr. Millar?

A Mr. Chairman, while the matter is fresh in your minds, would you permit me to add a word to what has been said regarding the bonds?

Yesterday, it was noted that the Highways Department does not have a solicitor. That is true. We did not have a solicitor for many years.

BY HON. MR. PORTER:

Q That is, a solicitor on your staff?

A That is right. We referred all legal matters to the very good auspices of the hon. Attorney-General, on the assumption that men who worked in framing the legislation were in the best position to deal with it.

BY MR. OLIVER:

Q Do you feel the services have been inadequate?

A No sir. The contract form of the Department and of the Bonding Company, because they go together, were submitted two years ago to Mr. Mason, Q.C., of the firm of Mason, Foulds & Company, and I believe they are recognized as a very high authority on municipal law.

Mr. Mason gave the contract form his full approval, and the bond which went with it.

Another question which was raised was in regard to the payment of wages. Usually that is taken care of very quickly by the Highways Department directly.

BY THE CHAIRMAN:

Q When there is difficulty? The Department only comes into the picture when there is no difficulty?

A Say a contractor is having financial difficulties and cannot meet his wage roll. The men who are out their money appeal to the Department, and we appeal to the Bonding Company to get authority to pay out of the hold-back. If the work amounted to \$100,000, we would have 15 percent. of that, or \$15,000 in our possession which we would not release until the Bonding Company is satisfied, because the Bonding Company might want to have the hold-back, and where the money was held by the Highways Department, there was a short interval before the Bonding Company came into play to clear up

the situation.

BY THE CHAIRMAN:

Q I think when we adjourned at lunch time, I had just made a note that we found on one side of the Little Pic River, a bid of 18 cents for moving earth, while on the other side, it was 60 cents, if my memory serves me correctly. I stand to be corrected on that 60 cents, because I have not the material in front of me at the moment, but there was a very noticeable difference between the price of moving the earth on the two sides of the river.

I am pointing out something I thought I would like to ask you about, and that is the unbalanced and balanced bids. Was it the practice in the Department to switch the unit prices, or did you leave that to the contractors?

A To a reasonable degree, as explained by Mr. Miller, of the Canadian Pacific Railway, the conditions vary greatly. We have had many prices as low as 20 cents, and we have had prices on Highway No. 17, east of Ottawa, where the price was 17 cents. Where we have sand dunes, and where we can use Letourneau scrapers, and things of that kind, that price is not out of line.

Q There has been a great deal of evidence in the last several weeks about unbalanced bids. Actually,

did the Department concern itself about the price, or were they satisfied to accept the lowest bid, even though it appears on examination of the prices, that the unit prices were away out of line?

A Unless there is a drastic reason, we accept the lowest bid.

Q A person could bid one cent for earth, and \$1.50 for rock, and if he was the lowest bidder, he would get the contract?

A Yes. Back some years ago, a contract was awarded by the Department of Highways for crushed stone at one-half cent a ton. That was followed by the Municipality taking the contract, and it was described as being under contract number so-and-so.

BY MR. OLIVER:

Q Is it generally accepted that unit prices bear no relationship to the contract?

A They bear a relationship, but, as I testified at the last hearing, I would never attempt to judge what a contractor can do the work for. I have seen earth moved for as low as five cents per cubic yard, and rock for as low as 50 cents per cubic yard.

BY THE CHAIRMAN:

Q Alright. Testimony was given by Mr. Miller, of the Canadian Pacific Railway, who said they looked at a bid, and if it looked to be low, they would call

the person in, and talk it over with him, and give him a chance to withdraw his bid.

Would it not be good practice, irrespective of what went on in the past, to take some record of the unit price, before you let the contract?

A That is quite true, but there have been many cases where it has been stated the contractor could not do the work at that price, yet he has gone on and done the work, and became a larger contractor, and became very successful.

BY MR. OLIVER:

Q Apparently we overpaid some of them.

A There are 1,500 contractors, and 16 of that number have turned out to be overpaid.

If I quite understand -- if I may go back a few years -- there was a time when the price of concrete work -- and I am going back to around 1930 or 1931 -- was around \$14.00 or \$15.00 per cubic yard, and that was the bare cost, without the steel, the reinforced steel or the cement.

Two jobs were called for highways east of Toronto, and the contractor bid on the jobs at \$7.80 per cubic yard, each about one-half of the prevailing price.

The contractor was so little known that the

contract engineer of the day had trouble locating him, but he happened to be working on a municipal road in the territory where I as located, and the engineer called me.

I said, "I know very little about him; he has done some work for the township, and some bridges, and he has a good, but limited knowledge, but his road in the municipality is alright.

The contractor went ahead and got the job at \$7.80. It was common gossip that he would go broke. He did not. He went on and accomplished these jobs, and secured bigger jobs and bigger jobs, until today he can easily handle a million-dollar-job without any trouble.

BY THE CHAIRMAN:

Q Let us deal with the actual contracts in favour of a company. There is no doubt in my mind, nor in the minds of the members of the Committee, that some difficulties have been alleged, or we would not be sitting here today.

You heard the brief from the Roadbuilders?
On page 16, may I direct your attention to that particular statement --

A I do not agree with that statement.

Q On page 16 -- it is midway down page 16 --

A I do not agree with that statement, for the very reasons I have given. It has been proven on many, many occasions that the contractors use new methods, and new equipment comes on the market, and they can do the work at what was considered, at one time, a "ridiculous price which has later become a reasonable price.

Q Which ones do you think should be taken out of that category? Should they all be taken out of that category?

A I do not follow you.

Q We are concerned with certain contracts in front of the Committee, concerning which it has been said there have been substantial over-runs, and we are trying to get to the bottom of it. We have evidence in support of the allegation that prices, speaking very generally, were ridiculously low.

A I can only speak from my experience of over 25 years, and I will say that is not my opinion.

Q Notwithstanding the results which have been put before us, you still stand by that statement?

A Yes. A price considered ridiculous today, becomes the standard price tomorrow.

Q I am speaking of today, and the contracts before the Committee at the moment. Do you consider those are prices at which contractors can carry out

their jobs and make money?

A Yes. I can give that opinion, because I have seen many, many contractors do that work, and make money.

BY MR. COLLINGS:

Q In regard to Contract 49-36; do you mean that road could have been built under Ontario standards, at \$50,000 per mile, in that territory?

A I would say it could be done.

BY THE CHAIRMAN:

Q Have you been up there, yourself, recently?

A Not recently.

Q When were you last there?

A About five years ago.

BY MR. OLIVER:

Q Were you surprised when you found it was not build for \$50,000 a mile? Will you answer frankly, knowing the terrain?

A It was a very difficult country.

Q I did not ask you that. You see the contract before us now, and having seen it, you can say it could not have been built for that amount?

A In answer to your question, I would be surprised that it went higher than that, but it has been done under similar conditions, for that price.

BY MR. MAPLEDORAM:

Q How do you account for the over-run?

A Frankly, I am not too familiar with the details, but, as I recall it, it was a Trans-Canada job.

BY MR. COLLINGS:

Q My question was, do you really think you could build that road for \$50,000 a mile, under Ontario standards?

A I believe so.

BY THE CHAIRMAN:

Q In the face of all the evidence we have now as to what it cost before it was completed?

A With efficient contractors, I would say "Yes".

BY MR. WREN:

Q Why did you authorize the payment if you had a efficient contractor?

A My engineer thought that over-runs were necessary.

BY THE CHAIRMAN:

Q Would that not be one of the first things about which you would wonder?

A That is one of the first things for which I asked.

Q You are still satisfied the unit price was in order?

A Yes.

BY MR. WREN:

Q You feel that an efficient man can do the work at that price, and when you find he is running over 50 percent. -- and in this case, nearly 100 percent. -- when the work order comes to you for signature, you say "This man is not efficient; but, nevertheless, I will authorize the payment of his account."

It seems to me you are just subsidizing inefficiency.

A No; I am saying the engineers have proven that.

Q For whom were the engineers working?

A For the Department of Highways.

Q Under your direction?

A Yes.

Q When they submit a report to you, that it costs \$75,000 per mile to build a road, which you say could be built efficiently for \$50,000 a mile, you simply issue a blank cheque in payment?

A The \$50,000 is based on the estimate of the Highway engineer by the unit price bids on the contract.

If you have a job costing \$75,000 a mile, it is the engineer, not the contractor, who has put that price on it.

BY MR. COLLINGS:

Q Would it be fair for you to tell us what the Departmental estimates of the units were?

A I could, but I would have to get the details. It is something, I would suggest, which could be done better from the records, by the Highway officials.

BY MR. OLIVER:

Q Are you saying that the approval of additional quantities is not the responsibility of Head Office?

A I said it is my responsibility, during the interval I was Deputy Minister.

Q Not the engineer in the field?

A They come from the engineers in the field, but, after all, the final approval has to be given by the Deputy Minister.

BY THE CHAIRMAN:

Q And there was a statement that one of the ways of getting out of the difficulty was to be very liberal in the classifications.

If that evidence is correct, do you still hold that the unit prices are sufficient?

A On what page is that?

Q The last paragraph on page 15.

A Yes, I have noted, in a copy of the brief which a member of the Press was kind enough to loan me,

-- and although the Association had prepared the brief, and made this statement therein, they did not see fit to supply me with a copy -- I have a note that I have no knowledge of what the amounts are.

The Department endeavoured to pay the contractors, and if certain wrong conditions were encountered, no new arrangement was made to pay the contractor for work he did not perform.

I cannot understand that statement.

Q We do not want to get into the realm of criminal procedure, and we are aware there are criminal proceedings pending on this very point.

A That is correct. But there were no instructions given, to my personal knowledge, to any man in the Highways Department --

Q I want to test the accuracy of this brief. I am not suggesting there was anything on your part in relation to that, but I am saying that we have this evidence, which has now been accumulating, and yet you are still doggedly hanging on to the statement that the price was alright.

MR. WREN: I do not think a man gets to be the Chief Engineer of a huge railway without having outstanding ability.

THE CHAIRMAN: The witness has his well-known ability, but I wonder if he is unyielding in that, and is not prepared to move, but still thinks these prices were realistic, notwithstanding all the evidence we have had.

MR. WREN: Mr. Miller of the Canadian Pacific Railway, said if he got a bid in the Schreiber area, under \$2.00, he would be suspicious.

THE CHAIRMAN: The witness thinks that price is adequate and "that is it".

THE WITNESS: May I say that Mr. Miller, of the Canadian Pacific Railway, who has been a friend of mine from away back, is dealing with special equipment. They have to have narrow shovels, as the standard shovels for highway work, cannot be used on railway work --

BY THE CHAIRMAN:

Q You are coming back --

MR. JANES: Let him explain his reasons, Mr. Chairman.

THE CHAIRMAN: If he wants to defend the prices, that is what we want to know.

MR. JANES: Let him finish his statement.

THE WITNESS: I am not defending the prices. I am giving my opinion that the statement that contracts

were let at "ridiculously low prices" is something with which I cannot agree, because I have seen those prices become normal prices.

On railroads,,the excavation is entirely different, and the entire set-up --

BY THE CHAIRMAN:

Q That may be so, but we are faced with facts, and over-runs. Let us be realistic. If you feel, notwithstanding all this evidence, that these prices were prices at which profits could be made by the contractors, we do not need to pursue it further with you.

If you feel there is any explanation for it, let us have it.

MR. JANES: I think you are unfair, Mr. Chairman. He is trying to make a statement.

THE CHAIRMAN: I do not think I am unfair at all. I am trying to stick to the thing before this Committee.

MR. JANES: Mr. Millar is an engineer, and is telling us the difference between a narrow cut and a wide cut.

THE WITNESS: The unit prices, yes.

BY THE CHAIRMAN:

Q All the argument you give is to defend those prices?

A Not to defend them. You asked if I agreed with the statement that the prices were "ridiculous". I do not agree.

BY MR. COLLINGS:

Q When the estimate was made for creosoted timber, was that at \$50.00 per thousand board feet?

I think I read a letter -- I cannot say at the moment who signed it -- that you allowed the contractor \$60.00 per thousand feet, an increase of \$10.00 per thousand feet?

A That is in his estimate.

Q It is here (indicating) "\$50.00". I read a letter where he was allowed \$60.00, an increase of \$10.00, on this one small item. I am speaking of the price.

A It would have to be a small item, to be changed. I am not familiar with the actual one of which you speak. There was a great deal of difficulty immediately following the war, because we could not get cement, and we had to switch to timber.

Q He bid \$50.00, and you allowed him \$60.00?

A Yes.

BY MR. OLIVER:

Q I think I recall in your former evidence that you said, I believe it was in 1952, that there was some

alarm at these tremendous over-runs, and that you had issued a directive that from that time on, there would be no over-runs allowed.

A The directive was that the over-runs should be held down to the absolute minimum. That would be about the same time as Mr. Zoller was appointed Comptroller of Finance for that very purpose.

His investigations eventually led to the finding of the irregularities.

BY MR. WREN:

Q You mean you did not know, up to that time?

A I did not know there were irregularities. We knew there were over-runs, and we were very much concerned about them.

But each time we attempted to run them down, we had the very fullest explanation as to why the over-runs were so large.

Mr. Zoller was contemplating retirement. His health was not too good, and he was going to retire from his position as my executive assistant, but he was very familiar with all the accounting practices.

At my request, he stayed on the job, and took the position, later confirmed by the hon. Minister, of Financial Comptroller, and was assigned to go into these matters from top to bottom, and as a result, a

year later, his work began to bear fruit.

That was a year before the irregularities were announced at Fort William.

BY MR. OLIVER:

Q In 1952, there was some sort of a directive saying that over-runs must be held down?

A That is right.

Q What was the nature of the consequences of that order? Did you find there was, from that time on, inflation of quantities to compensate for the lack of over-runs, either on the part of the District Engineer or Head Office.

There was no inflation to compensate for that?

A No. From 1952 on, you will find 40 contracts have been finalized with very little over-run.

Q Do you know of any instance where the figures of quantities sent in by Divisional Engineers were raised in Toronto, at Head Office?

A To which quantities do you refer?

Q The contract quantities.

A Not to my knowledge, although I will frankly admit it could be done by the Chief Engineer, having in mind certain circumstances of which the Division Engineer was not aware; in other words, increases in contingencies .

Q I seem to recall a contract where the Division Engineer said there were 580,000 yards of earth, and in your Head Office, it was raised to 700,000 yards, and where the Division Engineer said there was 332,000 yards of rock, it was raised to 400,000, before the contract was called?

You do not recall that contract?

A I do not recall that particular instance. What was the number?

Q 53-97, White River easterly.

A Oh yes, I recall that contract.

Q Were the totals raised in Toronto?

A Yes, after a careful check by our survey organization. I recall that instance very well. That contract, incidentally, was never let -- never awarded -- if my memory serves me right.

Q Why was it not awarded?

A The reason for it was this: when the tenders were opened, the successful bidder was advised there would be no classification bidding on the job. His reply was he had been offered 30 percent. classification in advance, by an engineer.

I pressed for the name of the engineer, but the contractor would not give it, and we threw that tender out.

Q When you recalled it, does your memory serve you as to whether you called it on the high figure, or on the estimated figure of the engineer?

A It was on the high figure.

Q My information is not to that effect.

A It became obvious that the quantities in that particular area -- in the Marathon area -- were running far above the estimates.

Q My information -- and I cannot be sure of it -- is that Head Office had increased it from 580,000 to 700,000 yards in the case of earth, and from 332,000 to 400,000 in the case of rock.

That contract was not let, and when you called for tenders again, the figures used in the call were not the high figures, but took the figures as supplied by the engineer.

A It has been called again, after I was no longer Deputy.

Q You do not know what quantities were tendered upon?

A No, I cannot say. I am not familiar with that, since the 1st of May.

BY MR. WREN:

Q That is the first time it ever came to your attention that anybody had been told there would be

classifications on a certain job?

A I believe it was in November, 1953, that the order was given that there should be no further classifications. That is the basis upon which they are working today. The classifications were causing trouble.

BY MR. OLIVER:

Q Obviously?

A Yes. We cut them out.

As I said before, I think a classification properly handled, is a good thing, and I believe the Committee now believes that will do a great deal toward permitting them to come back into the picture.

BY MR. COLLINGS:

Q Would you agree with the last paragraph on page 16, which reads:

"There is very little wrong which cannot be corrected. The proper facilities, personnel and organization to ensure adequate pre-engineering will cure one-half of the problem.

"Pre-determination of a contractor's fitness to bid, based on prior experience, character, personnel, financial and equipment resources, will correct the other half of the problem. But both must be linked together."

What is your comment on that?

A Well, could I comment on that by referring to the paragraph above that on page 16? One leads up to the other.

Q Alright.

A It is stated there:

"This, coupled with the Department's seemingly avid desire to award work at the lowest unit prices on the Continent, without regard to the ultimate cost to the Department, has brought about conditions that are not good."

Gentlemen, I would like to state that the Department's desire was to get good work done at the lowest possible cost to the Ontario taxpayers. The results which have been accomplished, speak for themselves, both from the standpoint of the prices, and the fact that only 3 contractors have failed in the last ten years.

BY THE CHAIRMAN:

Q May I ask you about the methods? That is worrying some of us.

A The methods, sir, undoubtedly could be improved. I will be the first to admit that.

But we were in the midst of a re-organization a year ago, and when you are fighting for your life crossing a stream, you have to fight for your life.

We were working on the basis that where we

used to require engineering on work which had totalled \$16 million, or \$17 million, it had risen to \$80 million, and is now up to \$140 million.

BY MR. WREN:

Q Did you not have time to make some plans?

A We had plans, and I have filed them. They have carried out nearly 80 percent. of their plans to the letter, but it was a tremendous struggle to get it done.

Q I do not know why we had to wait ten years to reorganize.

A We had no staff through the war years.

BY THE CHAIRMAN:

Q I think we have your viewpoint there. You have been subjected to some cross-examination, trying to clear the situation.

You feel the province has received its dollar's worth; the methods could have been improved, and there was improvement, wherever improvement could be made.

I think we have your position clearly.

Mr. Collings asked about the last paragraph on page 16.

A I have a completely open mind with regard to contracts.

My predecessor, Doctor Smith, was recognized

as one of the outstanding engineers in the world, certainly on the North American Continent. He was recognized by the Highway Research Council of the United States. He was the only Canadian member ever elected to the Highway Research Council. He was held in such high regard that he was called upon to do some work in connection with the Alaska highway.

He was also the holder of the Julian Smith Medal. He watched closely the highways in Ontario, and later on, in California. He kept an open mind, and when, in 1938, he visited Germany, he saw again, the pre-classified contracts. We would not like to have that classification in this country, because they were under Hitler.

I do know that in 1933, the Germans were far, far ahead of anybody else, in road building.

Here (indicating) are the pictures. I have had those for many years, and I will file them as an Exhibit.

THE CHAIRMAN: I have an article from Germany to file as an Exhibit this afternoon.

THE WITNESS: Doctor Smith did not like what he saw of the ultimate of pre-classification. He saw it leading into certain lines, which he thought was not desirable.. He could see with great clarity

where it could be a political football, and where it would bring great political pressure on both sides.

BY THE CHAIRMAN:

Q What is your experience?

A The same as his. I believe, if there was a group of contracts to be done at \$1 million each, a group of contractors could come to the Department, and say, "Do not call that as 10 jobs at \$1 million apiece, but give us one job at \$10 million, and then three or four of us can bid on it".

MR. WREN: If it is not already in the record, on any contract joint bidding is permitted.

BY THE CHAIRMAN:

Q I would much prefer to have your views, Mr. Millar, as Mr. Smith is no longer with the Department.

A My views followed a greater part of the time the views of Mr. Smith.

Q Do you agree with what Mr. Smith recommended?

A Oh, yes. We want to get as complete a study of it as we can, and avail ourselves of his outstanding knowledge.

BY MR. OLIVER:

Q In the Woods - Gordon Report, he speaks about bidding below cost. You will say this, that, in your opinion, the contractors were not bidding below cost?

A Upon reading the brief from the Roadbuilders', I found it a little confusing. It says our highways are comparable with, or better than any in the world.

Q Could you answer that directly, and say whether you can say the contracts were bid below cost?

A May I go on for half a minute more? On page 33 of the brief of the Roadbuilders' Association, we see the following:

"We acknowledge, with appreciation, this joint tribute to the Department of Highways and to our industry, both of which have laboured under increasing difficulties throughout the evolution of this vast, good roads' program."

That is commendation of the work of the Highways Department.

THE CHAIRMAN: We are back to the question of methods.

THE WITNESS: But apparently in reaching that happy situation, we have done everything wrong.

I would say without hesitation, Mr. Oliver, that I cannot agree with the statement on page 16, that the contractors are working at cost, or a little more. The facts do not bear that out.

That is shown by the ability of the contractors to travel widely on extended vacations, to drive expensive

cars, and to operate expensive farms, stables of race horses, and so forth. That would be scarcely possible if the work was paid for at cost or a little better.

In regard to this, I would like to tender the license of my personal car. It is a 1941 Plymouth, bought in 1940. I do not think too many contractors are driving 1941 Plymouths today.

THE CHAIRMAN: There is no suspicion whatever of you, in my opinion, and I do not think there is in the minds of any members of the Committee.

A I want to make it clear that there is the innuendo that I favour certain contractors, but that can be easily disproven. It has even been said that I am in the trade, but I do not even have a paved driveway at my home.

BY MR. OLIVER:

Q You say they were not bidding below cost?

A That is my opinion.

Q That is your opinion?

A Yes.

Mr. Gordon spoke about the "fictional re-classification". There was none of that, I can assure you. As far as I know, it was always legitimate classification. If the evidence shows that is not the case, I do not know anything about it.

Q Mr. Gordon said he thought there was too heavy responsibility at the Division-Engineer level.

A I agree with that statement.

Q Do you agree with the statement where it was said there was no long-term plan?

A No, I do not agree with that.

Q You had a long-term plan?

A Yes.

Q When was that plan evolved?

A 1943.

BY THE CHAIRMAN:

Q I think you mentioned that once before, did you not?

A Yes. I submitted it as an Exhibit. This was a long-term plan which was being worked on.

The Ontario Roadbuilders' Association made no effort to acquaint themselves with these plans, although the program was announced in the Legislature, by hon. Mr. Doucett, in 1949.

Q The contractors did not know of a long-term plan?

A I am sorry, if they did not. I have never been invited to meet the Roadbuilders' Association. I have gone to their annual dinner for 22 years, but I have never been asked to consult with them in regard to

any program.

THE CHAIRMAN: It is too bad the liaison was not better, both ways.

THE WITNESS: I have invited them to suggest things on many occasions, regarding specifications.

THE CHAIRMAN: I think we had better adjourn for five minutes.

MR. OLIVER: Yes, I think that is a good idea.

---Whereupon a short recess was had.

--- Upon resuming.

THE CHAIRMAN: Gentlemen, we will resume.

When we adjourned, Mr. Millar was making some comments on the brief presented by the Roadbuilders' Association.

THE WITNESS: I might comment on page 8, where reference is made to "Public Tender opening". I would be quite in accord with that. I can say, however, that as far as I am aware, the Ontario Roadbuilders' Association never asked for this.

Many contractors do not wish their bids disclosed, if they are not the low bidders, because it makes the result of their studies available to their competitors.

I think it would require a change in the Public Service Act, where no public servant can disclose to outside parties. I think it would require a change in that Act.

The opening in public is quite common practice.

Now, for a moment, if I could comment on this "5 percent. tender deposits".

I can say this; that on occasion a contractor has been authorized to withdraw from a contract when he found he was extremely below his nearest competitor, even with

the 5 percent. tender check.

Frankly, I would be afraid that, at 5 percent., a number of contractors might take the easy way out of getting out of a contract, when it happens to be away below the others.

That would leave the Highways Department in a difficult position if, for instance, they were trying to get a road built before winter.

Now, in regard to winter tender calls. They were introduced by the Department partly at the request of the contractors themselves, in order to have work underway in early summer.

Certain types of work, such as rock work, can be done to better advantage in winter than in summer, because you can get across frozen muskeg in the winter, better than in the summer.

This was introduced at considerable inconvenience to the Highways Department, because, as was mentioned in earlier testimony, the Highways Department has to have the money for its jobs, and possibly they may, in this connection, be anticipating the money will be voted at the following session of the Legislature in February or March.

I stand by the statement that winter calls are in order. The gravel pits are known, but there may be

uneven deposits, which the contractor would find, which we could not.

We have introduced the practice in recent years of calling paving jobs in mid-winter, as soon as the Legislature has voted us the money, so the contractors can begin work early, and get the job done before the heavy-traffic season, which is around the first of July.

Comment has been made as regards the time between tender calling and receiving bids. This timing has been presumed, for thirty years, to be satisfactory, because, as far as I am aware, there has been no protest that it was not. Had there been, we would have considered it.

The Highways Department has frequently extended the time of call, if it was requested by two or more bidders.

You have seen in the Department, from time to time, an extension of the time of calling.

There has been some question raised in regard to the preliminary engineering. I have said we would have liked to have had more pre-engineering. But the contractors themselves were frequently the worst offenders in pressing for work to be started before the engineering was ready, and the property purchased.

The statement was made of the line from Chapleau to Thessalon, that a contractor could not do a job. That line had been run 25 years before, because it was part of the Thessalon-Chapleau highway for Northern Relief work. It had been done to the boundary of the Chapleau district. They had gone across part way by hand labour, but when they required shovels, the work was stopped. The idea was to connect up the two roads. A contract was called for the south end, and there was 24 miles cut, and there was still 52 miles from Audrey Falls to Thessalon. The job was already going.

On the tour, one of the gentlemen testified that he could not find the second job. I cannot see that he was unduly handicapped in his bidding, because there was a line there.

BY THE CHAIRMAN:

Q You are surely not averse to the suggestion that we should recommend much better pre-engineering?

A No, by no means. The more the better. But I do take exception to the statement made that there was no pre-engineering in that line at all. There was. The men in the Highways Department will bear me out on that.

Now, in regard to the "Completion Dates"

mentioned on page 11. I agree that a date of completion is highly desirable and should be held to.

As I have mentioned, some contracts run two or three years. The 401 by-pass was built by young men, who did it when it was said it could not be done.

One young man was working very long hours in the Toronto area, in fact, he was working day and night, and the Medical Officer of Health protested that he was working too long hours, and he had to lay off between midnight and 6:00 a.m. That sort of thing is very often necessary if the completion dates are to be held to.

We press the contractors frequently to get a job done. On the other hand, if you have a series of grading jobs, they are let progressively, and we frequently cannot do 70 miles in a year, but we will do 10 miles, and 10 miles, and 10 miles.

It is obvious the 10-mile stretch cannot be put into service until the entire road is ready.

If a company can show that they have the equipment, and do not have to hire equipment, they can bid cheaper, because they have time to do the work.

In regard to "Multiple Bidding": I would like to comment on that, if I may.

Reference was made by a witness to a very vague

contract about 20 years ago.

I would like to quote a more recent case, where in 1947, the Highways Department called a concrete paving job between Highland Creek and Oshawa, 26 miles of single-lane road.

It was openly boasted in the trade, that no contractor would bid it for less than \$2 per square yard. It was shortly after the war when steel and other material was hard to come by, and there was only one contractor, who was low on all four jobs, because of that boast I have mentioned.

He set the price at about \$300,000. less than the others were going to bid and did bid.

To be frank about it, we awarded the two contracts to that contractor. I asked a second bidder and a third bidder if they would take it at that price, and they refused. The successful bidder bid, I think, \$1.85, but the others definitely refused to go under \$2.00. I do not know what you would call it. My own word for it is a "combine". They definitely got their heads together and said that it was going to be at a certain price.

THE CHAIRMAN: Let us stick to what is before us.

MR. JANES: Let him finish his statement, Mr. Chairman.

THE CHAIRMAN: The general conduct of a contractor will not do you any good. We are here to discuss what has brought this Committee into being, and what caused those conditions.

MR. JANES: Mr. Millar has been black-balled clear across Canada. Give him an opportunity to make his address.

MR. WREN: There must have been something wrong, or we would not be here at all. He is making a Ministerial speech.

THE CHAIRMAN: I think, if you are going to try to help the Committee --

MR. WREN: I think all these people should be called back in rebuttal.

THE CHAIRMAN: I do not think we are interested in individuals.

MR. JANES: This is of great importance to Mr. Millar.

BY MR. COLLINGS:

Q Did this man finish the job at \$1.85?

A He did, and we had the road inside of two years, and it has been in operation ever since.

Now, on page 13, "Department of Highways Contract Methods" --

BY MR. WREN:

Q Getting back to page 12; what happened to these Fort York Contracts? . They bid low on four jobs.

A They bid low on six, originally.

Q Did you offer these jobs to other people?

A I did.

Q Did they accept?

A Not one. Three would not. The original contract called for seven jobs, and when the tenders were opened, the Fort York was low on six, and Harvey on one.

 We awarded four to the Fort York.

Q To clear up a point; how do you decide, without pre-classification, how many jobs a particular contractor can get? Theoretically, he should get them all, if he is low.

A That is correct, but, practically, he could not do all six.

Q How do you decide?

A We have registration. While the Ontario Roadbuilders' Association say they have some 67 members, we have over 450 contractors registered in the Province of Ontario. They are required to make a bid, and to file a list of their equipment and their qualifications.

BY MR. OLIVER:

Q Do you not think in respect to the Wolfe Construction Company that on the Little Pic, they could handle three contracts?

A They did handle --

BY MR. WREN:

Q Getting back to the Fort York: the ones which the Fort York did get, were where the others would not accept the price?

A We awarded one at the Fort York price, the Shebandowan end. That was given to the McFarlane Construction Company.

Q Did you shop around?

A We went from the bottom to the top. Naturally, we were not much interested in the top bidder, but the first two or three were asked if they were interested.

Q And what did you do with the others?

A We threw them out. Winter was coming on, and we wanted to get the work done simultaneously, and we called for single jobs, and then re-called the other three. They were nearing completion almost simultaneously.

BY THE CHAIRMAN:

Q Was the McFarlane Company the second low?

A If not, he was the only bidder who would take it. I cannot recall whether he was the second, third

or fourth.

BY MR. WREN:

Q How did you determine Fort York could handle two jobs?

A By intimate knowledge over the years.

Q They were pre-classified in the sense that they were known?

A They had handled a great many jobs for the Department.

Q Do you think it was pre-engineering difficulties, or was it because of other difficulties?

A I do not know. From the manner in which the bids were received, there was every indication of "ganging up", and one contractor had broken away. I say they were apparently bidding a price for which they felt it could be done, the one who broke away was a reliable firm. It was apparent they had done other jobs, and done them well.

BY MR. MAPLEDORAM:

Q That was the first time they were in difficulties?

A The first I ever heard of, sir.

Now, on page 14, Mr. Chairman, they state "Many Projects". There were more than 1,500 contracts in the past 10 years, and, as noted on page 13, only 3

had what might be described as "uncertainty as to final lines and grades".

Full cross sections are not essential for bidding purposes, and even when available are frequently not examined by the contractor.

BY THE CHAIRMAN:

Q In other words, the contractors complete the profiles?

A They can size up a job from the profiles. If they have an engineer, we set out all the files of cross sections, and so forth, and he can see them.

But, to my knowledge, many contractors have never asked for cross sections. They bid on the profiles.

To my knowledge on three jobs, they had no complete profiles.

Mr. Fulton testified yesterday that one was the Atikokan road. We based the bid on a survey made some years before.

Another was the Red Lake road, which was rushed to completion. It was opened as a winter road in six months, and was fully completed in $1\frac{1}{2}$ years. It was an extremely fast piece of work for a community completely isolated.

BY THE CHAIRMAN:

Q Are you coming around to justify the pre-engineering in these other contracts?

A No, only three major projects did not have reasonable pre-engineering, on which the contractors could bid.

Q Let us get down to the cases here. These over-runs and all that sort of thing, have some relation to the three estimates?

A To a large degree.

Q You say there are only three cases, you can recall?

A No, three cases where there was an excessive lack of pre-engineering, out of 1,500 contracts.

Q I cannot, for the life of me, understand the system, from what we have heard this last month.

MR. OLIVER: That is the understatement of the year.

MR. WREN: They are all Rhodes scholars. That is another one "for the book".

THE WITNESS: There was no complete pre-engineering, but there was a reasonable degree of pre-engineering, except in those three instances.

BY MR. OLIVER:

Q Would you say in referring to all the others,

there was adequate pre-engineering?

A Not adequate, no.

Q But sufficient?

A Sufficient, I would say.

Q In all but three contracts?

A Reasonable engineering in all but three.

BY MR. WREN:

Q Why would an Association like the Professional Engineers recommend that more engineering be done, if you think it was sufficient?

A Reasonably sufficient.

Q Now it is "reasonably sufficient".

A The profiles were available.

BY MR. OLIVER:

Q In other words, it was very poor?

A No. For many years contracts were called on the profiles.

Q You do not think that cross sections were necessary?

A No, sir. It is highly essential and necessary, but for many, many years it was customary to call contracts on profiles alone, and then take the cross sections as they went along.

We would have liked to have had them in advance, but we could not, because of our limited staff.

MR. COLLINGS: That is a good statement.

MR. WREN: I do not know why we are sitting here at all.

MR. OLIVER: Yes.

MR. JANES: You had no hesitation in "black-balling" Mr. Millar all across the Province. I think we should give him the opportunity of answering.

THE WITNESS: I have only two or three remarks, and I will finish.

On page 29, they said the Highways Department should not run an asphalt plant. We ran it for the very simple reason that the contract prices on hot-mix asphalt were getting too high.

There was a suggestion, I think by Mr. Collings, that we should bid on our own contracts.

BY MR. COLLINGS:

Q Would it not be a wise policy on the part of the Department to submit its own bid?

A Possibly so, but we carry the authority that if the prices are too high, we can put our own plant in there. That was the primary purpose of having us sitting in the background. It was well known that we were there, and could apply it to other jobs, and I think that was reflected in the drop in prices, for that reason.

BY MR. JANES:

Q Mr. Millar, there has been quite a bit of criticism toward you accepting the lowest tender --

BY MR. WREN:

Q Are you suggesting the Deputy is handling the Minister's job, when he faces Parliament?

THE WITNESS: I make that recommendation for all acceptance of tenders.

MR. JANES: I think last session there were several questions such as, "Did you accept the lowest tender for the contract?".

BY MR. JANES:

Q You could not have appeared before the House with an explanation, if you had not accepted the lowest tenders?

A No.

BY MR. GRUMMETT, Q.C.:

Q Mr. Millar, just one question. I have not read through this brief in full, but on page 29, I notice this statement:

"The Department of Highways of Ontario should be urged to discontinue the purchase of equipment for its own use, other than for necessary maintenance equipment.

"The Department should also discontinue the practice of subsidizing the purchase of equipment by townships and counties. These local governments at times have made this equipment available to private parties, at substantially lower rates than are justified, in view of the cost and maintenance of the equipment. This has reacted greatly to the detriment of contractors whose overhead is heavy on equipment maintenance."?

A I do not agree with that statement at all.

MR. GRUMMETT, Q.C.: Neither do I.

MR. MAPLEDORAM: That spoiled the whole brief.

MR. JANES: I thought so, but I did not like to bring that up.

BY MR. GRUMMETT, Q.C.:

Q I agree with the subsidizing of municipalities. Usually they need assistance.

THE WITNESS: I spent many years in the Municipal Roads Branch, and I know they have to have assistance.

And that, gentlemen, is the record of the Highways Department in the ten years and eleven months that I was Deputy Minister. I am proud of that record and of the efforts of five thousand conscientious men and women who made it possible. It covers a period of

difficult years, of wartime shortage of materials and equipment when the staff kept the highway system operating and essential war materials on its way to the battle-fronts. It covers the period when mechanics of twenty years experience stayed on the job at \$200. per month while high school boys were receiving \$2.00 per hour in the war plants -- with time-and-a-half for overtime. There is no time-and-a-half in the Government service -- nor double time for Sunday. It covers a period when snow plow drivers worked fourteen to sixteen hours a day in bitter cold and raging snow simply because there was no one else to do the job.

The record covers also the period of post-war expansion when loyal and competent men struggled to keep up with a mounting load of work, trained replacements, and then watched those replacements leave to take positions at double their own salary.

You have seen the record, that Ontario has good roads at lower cost than any State or Province on the North American continent. That has been accomplished without recourse to toll roads and within the revenues paid by the motor vehicle owner.

I have served the Province for twenty-six years under three Administrations and under eight Premiers. I have served under four Highway Ministers and can say

without hesitation that in my dealings with these four Ministers I have found them public-spirited men, sacrificing their own business interests to promote the development of the highway system of the Province.

As Deputy Minister under the late T. B. McQuesten and under the Hon. George H. Doucett, I came to know each of these men intimately and found them both honest men and Christian gentlemen. I have never received from my superiors any order, either direct or implied, to perform any unethical or unprofessional act.

I am an Engineer, one of the oldest and most respected professions. If there are, among the thousands of loyal employees of the Department who have served the Province long and well, a limited few who for personal gain have forgotten their oath of office, that is for the Courts to punish. If guilty, they have disgraced their fellow employees and brought a shadow over public trust in an old and honourable profession.

I appeal to you, gentlemen, to clear the good name of the vast majority of those thousands, that they can again take pride in being members of the Highways Department.

BY MR. OLIVER:

Q Mr. Millar, you made a statement in respect to this contract 53-97, and said that the contractor wanted

to accept, but could not accept the contract, because he had been promised by an engineer that there would be a 30 percent. classification, which was not forthcoming?

A The contractor is in the room, and I think we should hear Mr. Storm on that.

THE CHAIRMAN: Mr. Storm, do you want to say anything?

MR. STORM: I do not think it is necessary to say anything. That did not occur.

MR. WREN: It did not occur?

MR. STORM: No. There was no such word as that. I do not think it is worthy of discussion.

MR. MAPLEDORAM: That answers that.

THE WITNESS: May I call a witness in respect to that?

THE CHAIRMAN: I do not think we need it at the moment.

MR. JANES: I think he has the right to call a witness.

THE CHAIRMAN: I do not think it will make any difference with the Committee, one way or the other --

HON. MR. PORTER: Mr. Storm says he did not make that statement. Who did make it?

MR. JANES: Let us be fair about this.

MR. HERBERT: Mr. Oliver brought it up.

THE WITNESS: There is another witness in the room, who can testify to that.

HON. MR. PORTER: Does anybody know who made this statement?

MR. COLLINGS: It does not come out of the air.

MR. WREN: Mr. Millar made the statement that this man withdrew because he was not going to get his classification. Mr. Storm says he did not say that.

BY MR. MAPLEDORAM:

Q Do you want to call a witness?

A I leave that to the Chairman.

MR. STORM: I think Mr. Millar is under a misapprehension. I tendered on that job, and I was the low bidder. I was called in by Mr. Robbins, and present at that meeting were Mr. Zoller and Mr. Fulton, and they said then that the rules had been changed, there were no more classifications.

It was a classified job, and the fact was it always had been done in the Highways Department.

I said, "I bid on the job for, say, 200,000 yards of rock, and I bid 150,000 at \$2.00, and because of boulders for 50,000 yards, I came out at a certain price, and I was low".

Then they told me there was no such thing as classification, and they said the one-yard rule would apply, and I had to line those boulders up on the highway, in order that they might be measured.

I said, "Who disposes of the boulders?". and they said, "You do". I said, "No, I do not".

It was not in the information given to the bidders, and if the situation was as they presented it, I had been led astray.

I said, "I will leave them there, because the measuring of the boulders is up to you, and not to me".

We came to an impasse, and I told them what they could do with the contract.

I telephoned to the hon. Minister, and asked if I could withdraw my tender, because I was under a misapprehension, and he agreed I withdraw my tender, and get my cheque back.

During that conversation they asked me if I had seen the Engineer at Fort William. My engineer had all the information he could secure in Toronto, and was going to Fort William. He got off the train at White River, and came back again.

I was not told that the classification rule was changed, and I said, "It is a damned shame that I was not informed of it, that I should have had a letter

to that effect".

I could bring those three gentlemen as witnesses. That is the story on that.

THE CHAIRMAN: I think, as you said, it was perhaps a misunderstand in some respects. Perhaps the two statements have cleared themselves.

MR. JAMES: Are you satisfied, Mr. Millar?

MR. MILLAR: Not completely, but I will have to accept the word of Mr. Storm. I regard him very highly.

BY MR. WREN:

Q You simply had heard that?

A Yes.

Q So, it was hearsay on your part?

A It was given to me.

Q You did not hear him make a statement like that?

A I never discussed the situation with Mr. Storm.

---- The witness retired.

- - - -

MELBOURNE A. ELSON,

Deputy Minister, Department of Highways, having been previously heard, now recalled, and being duly sworn, testifies as follows:

BY THE CHAIRMAN:

Q We will be glad to hear what you have to say, Mr. Elson.

A Mr. Chairman, I have very little to add to the conversation I have listened to to-day.

There is one thing upon which I would like to give my viewpoint with respect to some statements made to-day, which I think do reflect on the feelings of certain members of the Department, and also the feelings of the contractors and the public.

If I remember correctly, I heard it stated that an engineer cannot make an estimate of a contract, therefore, he would not know what the units would cost.

If I allow that to stand, without refuting it, it will cast a direct aspersion on all the engineers, from the statement that they do not know what a job will cost. The Committee will also think we are in that position.

I happened to have been mixed up in estimates in regard to highways with the same kind of materials, as well as for coffer dams and tunnels, and so forth,

and I have been responsible for building some large jobs, \$1½ millions of estimates, on which the company has submitted unit prices on hazardous work, on my estimates.

I do not estimate a job on the basis of saying I think it will cost \$35 or \$40 a yard. I go right down to the basic facts, and I figure the plant required, the materials required, the man-power required, and thereby, reaching a cost per unit with respect to plant, material and labour.

It is difficult for an estimator in the Department to know what the contractors are going to charge in their estimate for profit, plant rental, overhead, and so forth.

Some of the contractors employ cost accountants to keep to keep a very close check on costs of this nature, but, of course, that is something we would know nothing about.

They also decide for themselves what they are going to charge for plant rental. That is the practice of the contractors. It is no secret. They may want to charge one-half of the normal rental, so they can keep their man-power going, and they estimate the plant rental at times, at a figure that is below the normal charge for such rental.

I am not condoning the fact that the Department of Highways has not available the personnel who can estimate in that detailed manner, and it is my intention, unless I am taken out of play, to obtain personnel who can estimate accurately, so that we can establish within reason -- and I say this with respect to the contractors, whom I have known, and who have known me for quite a while -- that if we have proper engineering, we can estimate within reasonable closeness what a job will cost.

BY MR. OLIVER:

Q Within perhape 10 percent, or 15 percent?

A In regard to the plant rental; I do not know what Mr. Storm, for instance, may put on, or what Mr. McQuigge may charge. That is an internal matter with them, but I know what I might put on, depending on the time, the amount of work, and the availability of personnel.

Another thing is I do not know what profit they will put on their work. You see a contractor getting a job, and if everybody is hungry, you may figure the contractor will bid low to keep his group working, while waiting for other work to come in during the next year.

I do not know what their overhead is, and, as

I say, many of them have cost accountants who look into those matters, and they know their costs down to a cent, and a distribution of their labour units and their material units are ascertained in detail every month. If it cost 10 cents to move a yard of sand with a scraper, well, it costs 10 cents. That is why the big companies are still losing money, because they cannot take a job lower than what they know it is going to cost them.

Occasionally, some company will take a "flier", so they can learn the practical side of it.

Then when the practical and the theoretical sides are combined, we can go ahead and check the bid.

I think in justice to my fellow employees in the Department of Highways, whom I have come to know and admire, I do not want it to be said that they are not able to ascertain what it costs to move a yard of rock.

In conclusion, may I say that at the present time we are re-organizing, and we are building up the morale which, at times, has not been too good. We are trying to build it into something which will be excellent, and I am appealing to this Committee, if it sees fit, to give the Highways Department as it exists a vote of confidence today, because there are some here who are mentally a little distraught, and are quite concerned

about the fact that they occasionally feel that people are pointing their fingers at them.

If there is anyone in the organization, who is not happy in his work, and is not trying to do better, we will get somebody else to take his place.

BY MR. COLLINGS:

Q If Mr. Elson can assure this Committee that in the plans for the future, these abuses will be stopped, and that he will go on to build highways with the employees whose morale is of the highest, I think it will be a very good thing.

A We have every intention of doing that. Integrity is awfully important. It is not just dollars and cents. If you are running a coffer dam, or a tunnel job, the general foreman, unless he is a loyal man, can go out and "gum up the job".

There is one thing we absolutely require, and that is integrity, and we want men who will endeavour to improve the standards under which we are working.

At the present time, I take that for granted with those whom we have in our organization. I know we have got it, and if you will give us time, we will prove it to you. (Applause)

THE CHAIRMAN: Is there anyone else here who desires to give evidence? (No response)

Gentlemen, we have reached the point where I think we have pretty well concluded our intensive program, which we have followed over the weeks, and perhaps we can consider completing our efforts for the present, this afternoon.

It is now 20 minutes after 5:00, but I think within the next hour-and-a-half we can complete pretty well what we have in mind.

I do not want to press you unduly, but if you prefer to go on for an hour now, and then come back this evening, I am quite willing to do what the Committee desires.

I want to file a translation of an article in connection with road construction and traffic safety in Germany. We will have copies made in due course. I think shortly we will have further memoranda from the same source, which can be filed later.

EXHIBIT NO. 56: Translation of
German memoranda, as produced
by the Chairman.

THE CHAIRMAN: Now, gentlemen, I would like to summarize what has been done to date.

MR. OLIVER: Mr. Chairman, may I ask if it is the intention to complete the sitting at this time, without hearing Mr. Cotnam, and not having a discussion

on the Wood-Gordon report?

THE CHAIRMAN: What I propose to do, after giving the summary, is to deal with a number of the Wood-Gordon recommendations, as the evidence has been given in relation to them during the whole period the Committee has been working. I think perhaps this will be an appropriate time to move certain resolutions as to what we are thinking, when the report is prepared.

May I just proceed to summarize the situation? This is what I have been able to put together, regarding what we have done, with the assistance of our Counsel, and our Secretary.

"On Monday, April 5th, 1954, on motion of the Prime Minister, seconded by the Honourable George Doucett, Minister of Highways, this Committee was appointed by the Legislature 'to study all phases of the plan of organization and methods of operation in the Fort William Division of the Department of Highways, and in any other Divisions of the said Department that the Committee deems necessary, and to investigate any irregularities or irregular practices in such Divisions, and to recommend such improvements in the organization and administrative practices of the Department of Highways which the Committee considers necessary to meet the growing

"volume of work of the Department throughout the Province', the members of the Committee being as follows:

A. Kelso Roberts, Q.C. (St. Patrick),
Chairman,
Hollis E. Beckett, Q.C. (York East),
William H. Collings (Beaches),
Thomas R. Dent (Oxford),
William J. Grummett, Q.C. (Cochrane South),
Robert Herbert (Temiskaming),
Charles E. Janes (Lambton East),
Clare Mapledoram (Fort William),
Hon. Farquhar Oliver (Grey South),
Hon. Dana Porter, Q.C. (St. George),
Albert Wren (Kenora).

"The Committee has held 22 sittings to date.

"Mr. Peter Wright, Q.C., holding a watching brief for the Honourable R. H. Winter, Minister of Public Works for Canada, and representatives of the Association of Professional Engineers of the Province of Ontario, were present at a number of the meetings.

"At the first sitting (April 14th, 1954), the following appointments were made:

Legal Adviser	- L. R. MacTavish, Q.C.
Secretary	- V. J. Johnson,
Official Reporter	- R. C. Sturgeon.

"At the first sitting interim reports were made by H. A. Cotnam, F.C.A., Provincial Auditor and Duncan Gordon, on behalf of J. D. Woods & Gordon

"Limited, Management Consultants, appointed by the Minister of Highways on January 20th, 1954.

"The Honourable George Doucett gave evidence and was followed by certain officers of the head office of the Department of Highways who gave evidence under oath, chiefly in relation to departmental practices in connection with contracts and the general operation of their branches. Those so testifying were W. A. Clarke, then acting Chief Engineer and now Chief Engineer, W. J. Fulton, Inspector of Surveys, and C. A. Robbins, Chief Engineer of Maintenance.

"The report of the Management Consultants was promised by the middle of May and accordingly the Committee set May 17th for the next hearing and re-assembled on that date.

"At the opening of the sittings which commenced on May 17th and continued on May 18th and 19th, an interim report of the Provincial Auditor to the Select Committee, dated May 14th, 1954 (Exhibit No. 9) and the report of J. D. Woods & Gordon Limited, dated May 14th, 1954, addressed to the Minister of Highways (Exhibit 10) were tabled.

"Mr. Melbourne A. Elson, Professional Engineer, recently (May 14th, 1954) appointed Deputy

"Minister of Highways, attended the meeting and was requested to assist in the deliberations of the Committee.

"Mr. Cotnam read his report (Exhibit No. 9) to the Committee and was questioned under oath. He was followed by Mr. Duncan Gordon who read his report (Exhibit No.10) to the Committee and was questioned under oath.

"The former Deputy Minister of Highways, Mr. J. D. Millar, presented briefs (Exhibits 12 and 12A) and was questioned under oath.

"During the testimony of Mr. Millar, a discussion took place concerning the relation of some of the proposed testimony to the criminal charges which had been laid against certain persons and with the agreement of all Members of the Committee, Mr. Millar's testimony was discontinued after considerable evidence by him had been given. It was decided not to call any further witnesses at this time and no person indicating any desire to appear before the Committee, the Committee proceeded to settle an itinerary which was subsequently carried out as outlined below.

"The fifth and sixth meetings of the Committee were held in the State Office Building in

"Albany, N.Y., on Thursday and Friday, June 3rd and 4th, 1954, the following members of the Committee being present:

A. Kelso Roberts, Q.C. (St. Patrick)
Chairman,
Hollis E. Beckett, Q.C. (York East),
William H. Collings (Beaches),
Thomas R. Dent (Oxford)
William J. Grummett, Q.C. (Cochrane South)
Robert Herbert (Temiskaming),
Charles E. Janes (Lambton East),
Clare Mapledoram (Fort William),
Hon. Dana Porter, Q.C. (St. George),

and the following officials:

L. R. MacTavish, Q.C., Legal Adviser,
M. A. Elson, Deputy Minister of Highways,
J. Walter, Construction Branch,
Department of Highways,
Duncan Gordon, Management Consultant,
R. C. Sturgeon, Shorthand Reporter,
V. J. Johnson, Secretary.

"Mr. George L. Nickerson, Chief Engineer of the Public Works Department of the State of New York, proceeded to outline for the Committee the various procedures involved in building a State Highway from the conception to the completion of the project. Mr. Nickerson was supported from time to time by Mr. E. Burton Hughes, Deputy Superintendent; Henry A. Cohen, Director, Bureau of Contracts and Accounts; John Tobin, Accountant; John Purcell, Gasoline Tax Director; Robert R. Prince, Department Counsel, and Henry Ten Hagen, Deputy Chief Engineer.

"As the discussions progressed the following highlights of the New York State system became manifest:

1. The necessity of adequate personnel, both in numbers and training, in order to carry out any planned highway construction programme.

2. The advisability of completing a thorough programme of pre-contract engineering.

3. Non-classification of material in excavation jobs.

4. The publicity given to calls for tenders, opening of tenders and the letting of contracts.

5. The fact that many of the procedures were prescribed by Statute or by regulation.

"The attention of the New York State officials was directed to Recommendation No. 13 of the Woods & Gordon Limited Report and their opinion thereon solicited. It was the unanimous view of these officials that the recommendation was impracticable and they recommended a rule which they have found satisfactory, known as the 'Hoover Rule', to the effect that no employee may accept a gift

"from a contractor which he cannot eat, drink or smoke in one day. The discussion indicated that this rule is in satisfactory operation in many Federal and State departments and agencies.

"Some time was spent by the members of the Committee questioning the New York officials as to methods of recruiting departmental employees, their in-service, training, promotion and salary scales.

"A great deal of very useful material, both verbal and written was given to the Committee and the New York State officials at all times assisted the members of the Committee in every way possible.

"It was noted that the State of New York does not have the system known as 'Pre-qualification of Contractors' but rather a post-contract qualification with the award of the contract 'to the lowest responsible bidder'. The State is divided into ten districts with a District Engineer in charge of each. The salary range is from something in excess of \$11,000.00 to a figure in excess of \$14,000.00, for the District Engineer.

"It was stated that most of the contractors in New York State belong to the General Contractors Association, and that Department has a joint Committee with representatives of the American

"General Contractors Association. I quote from the evidence at page 731 of the proceedings:

'The relationship is excellent and we get along beautifully, because they are well informed on every policy of the Department'. The foregoing being the evidence of Mr. Cohen, Chief of the Contracts and Accounts Branch. It was also stated in evidence (page 760 of the proceedings) that a performance and a labour and materials bond is required in that state.

"The seventh and eighth meetings were held while travelling from Toronto via Parry Sound to Sudbury and from Sudbury to Blind River and Sault Ste Marie and along #17 Highway a distance of fifty miles beyond Sault Ste. Marie in a northerly direction towards the Montreal River and in Sudbury, Massey, Blind River and Sault Ste. Marie. From Parry Sound to Blind River, the Committee had the benefit of the presence of Mr. Stanley Cole, the District Engineer for the Sudbury District and from Sudbury to Sault Ste. Marie, the District Engineer, Mr. Lowery for the Blind River District. During the whole of this trip, Mr. H. Tregaskes, then the Ontario Highways Engineer representative on the Trans-Canada Highways Construction work and now Contracts Control Engineer,

"accompanied the Committee and explained many items of Highway construction particularly in relation to those parts travelled by the Committee where Trans-Canada specifications had been required.

"The ninth meeting of the Committee was held at the Parliament Buildings, Toronto, when statements were made by representatives of the Ontario Contractors Association by way of preliminary information in relation to a brief being prepared by that Association and by Mr. Charles Foster, Civil Service Commissioner, Mr. Gordon Hewitt, solicitor and Mr. Elson, Deputy Minister of Highways, the latter reporting to the Committee a number of changes made in the personnel at head office and the appointments to new offices under the plan of reorganization recommended by the J. D. Woods & Gordon Limited report.

"The 10th and 11th meetings of the Committee were held in the State Capitol Building in Bismarck, North Dakota, on Wednesday and Thursday, June 16th and 17th, 1954. The following members of the Committee were present:

A. Kelso Roberts, Q.C. (St. Patrick),
Chairman,
Hollis E. Beckett, Q.C. (York East),
Thomas R. Dent (Oxford),
Robert Herbert (Temiskaming),
Charles E. Janes (Lambton East),
Clare Mapledoram (Fort William).

"The following officials were present:

L. R. MacTavish, Q.C., Legal Adviser,
J. Walter, Construction Engineer,
Department of Highways,
Frank Flegg, Assistant to the Deputy
Minister of Highways,
Duncan Gordon, Management Consultant,
George Pate, Shorthand Reporter,
V. J. Johnson, Secretary.

"Immediately on arrival in Bismarck the Committee went into consultation with State Highway Department officials under the direction of Highway Commissioner S. W. Thompson. Mr. Thompson and his officials, particularly Mr. Wynkoop, the Chief Engineer, and Mr. Crawford, the Director of Highway Planning, gave a detailed review of the functions of their Department, its organization and the administrative practices it follows in carrying out its work of constructing and maintaining the state highway system.

"It was of particular interest to the Committee to learn that North Dakota has used the Standard Pre-qualification of Contractors System for some twenty years with very satisfactory results. They could see no objection to the system, even from the point of view of small contractors.

"Another point that was stressed by the North Dakota officials was the absolute necessity of having adequate pre-engineering work completed before

"calling for tenders.

"One point of difference between the North Dakota system of letting contracts with that of New York and Ontario is that in North Dakota no departmental estimates of the cost of work are given to the bidders; the contractors bid on designated quantities at a unit price.

"Pre-contract engineering work can, of course, be done much more quickly, cheaply and accurately in North Dakota than in New York or Ontario as North Dakota is for the most part open prairie without rock or other natural features that tend to make estimates uncertain and variable. This fact makes it unnecessary for them to classify materials; consequently, North Dakota has no classification problems such as are present in Ontario and New York.

"Some time was spent in reviewing the forms of contract, performance bonds, and associated documents in use in North Dakota which it appeared had proven to be adequate for their purposes. Copies of these documents were furnished to the Committee for purposes of analysis and comparison with those in use in Ontario. The system of asking for tenders, opening the tenders and letting contracts, was similar

"to that of New York State, that is, adequate notice was given of all jobs to be let, all tenders were opened in public and each contract let to the lowest responsible or qualified bidder.

"Another feature of the North Dakota Highways Department which was new to the Committee and of particular interest to it was what is known as the 'Sufficiency Rating System'. Under this system all State highways are given a rating on common factors, such as purpose, safety, and physical condition. Each highway is rated in this manner and the total represents its sufficiency rating. Each rating is given a distinguishing colour and a State highway map is prepared with each highway shown in colour as rated; thus at a glance it is possible to see the sufficiency rating of any highway in relation to the other highways.

"This system has proved to be of great value in building up an orderly programme of development and in allocating priorities from year to year. It was pointed out that the sufficiency rating system is also helpful in dealing with pressure groups as they can usually be satisfied quickly, from a study of the sufficiency rating map, that the highway in which they are interested has a higher rating than

"other highways in the system and so must wait its turn for further development.

"It was evident from the statements of the North Dakota officials that that State has the same problems as New York and Ontario with respect to the recruitment of personnel. Adequately trained engineers have been and are still in short supply and the State salary schedules applicable are not attractive enough to enable the Department to acquire an adequate engineering staff. This situation is aggravated in North Dakota by the fact that there is no civil service in the State, which in effect means that there is no security of office. All appointments at all levels are 'political' in the sense that every State employee holds office at the pleasure of the Governor. When a new Governor of a different political party from his predecessor takes office, employees may be liable to be dismissed and this customarily happens to most senior officials. Hence there is little in the way of merit appointments and promotions, in-service training and the like as was the case in New York State.

"The North Dakota officials were not in agreement with the recommendation of the Woods-Gordon Report as to the acceptance of gifts by State

"employees from contractors. Their view was that it would be impractical to enforce the practice recommended. They could see no harm whatever in the acceptance of gifts of moderate value on appropriate occasions and it was clear that this was the current recognized practice in the Department.

"The Committee Members and staff at the invitation of the Director of Highway Planning and the officer in charge of the Garrison Dam project, visited the project on the Missouri River and then proceeded by bus via Minot and Bemidji to the Ontario border at Rainy River.

"The 12th sitting of the Committee was held at Rainy River at the noon hour and at Fort Frances in the evening. Briefs were presented to the Committee at both places and the Committee under the guidance of William Noden, M.P.P. for Rainy River Riding, travelled over a number of secondary roads as well as the main highway between Rainy River and Fort Frances.

"The 13th sitting was held during the 19th of June and included traversing part of Highway #71 and Highway #70 with a stop on the ground where contract #50-125 had been performed, with an explanation by the District Engineer, Mc. McEwen, who

"accompanied the party from Bemidji throughout its itinerary in the Kenora District and for a portion of the Fort William District travel. Mr. Albert Wren, M.P.P. for Kenora District joined the party at Bemidji and continued with it thereafter until the conclusion of the Fort William sitting.

(Note: After the visit to the Garrison Dam site Messrs. Beckett, Gordon, MacTavish and Walters left the Committee.)

"At Kenora a luncheon was held and the Mayor of Kenora greeted the members and Mr. Wren extended hospitality to the Members.

"On June 19th, the Committee proceeded by motor bus to Vermilion Lake and to Red Lake.

"The 14th sitting was held at Red Lake on the 20th of June 1954, and a visit was made to the camp and the Committee and staff were entertained by the General Manager of Madsen Red Lake Mines Limited, Mr. E. Crayston and representative citizens of the area. Briefs were presented and the Committee made a tour of the camp.

"On Monday, the 21st of June 1954, the Committee proceeded by air from Red Lake to the vicinity of Pickle Crow Mine and the Central Patricia minesite and were transported by cars to Doghole Point,

"a portion of the highway from Pickle Crow to Savant Lake having been washed out (the washed out area in the vicinity of Ragged Rapids and the bridges and approaches thereto were seen from the air prior to landing by the Committee Members). The party then proceeded by motor boats on Lake St. Joseph for a distance of approximately 12 miles, where they were transported by cars for the balance of trip by road to Savant Lake. The members were flown from Pickerel Lake, near Savant Lake, to Ignace on Highway #17 and were transported by motor to Port Arthur.

"The 16th sitting of the Committee was held en route to Atikokan over the newly constructed Atikokan Highway and at the townsite of Atikokan where the Committee was entertained by the local Chamber of Commerce. Briefs were presented and during the afternoon a visit was made to Steep Rock Mine, the Committee returning by bus to Fort William, the same evening.

"The 17th and 18th sittings of the Committee were held partly while travelling from Port Arthur to Pigigon, Terrace Bay, and Marathon and at Nipigon, where a local delegation presented a brief and at the garage of the Department of Highways at Fort William

"District was recorded and will be found in the proceedings.

"The 19th sitting was held during the morning session in the City Hall at Fort William and during the afternoon session at the City Hall at Port Arthur when further evidence was taken, and briefs received, all of which appears in the record of the proceedings.

"The 20th, 21st and 22nd sittings of the Committee were held at the Parliament Buildings, Toronto, on Monday, Tuesday and Wednesday, the 28th, 29th and 30th of June 1954. At these sittings an extensive brief by the Ontario Contractors Association was presented and evidence given in relation thereto together with evidence by officials of the office of the Department of Highways including Messrs. Elson, Clark, Chief Engineer, Zoller, the Financial Comptroller, H. A. Tregaskes, Contract Control Engineer, Mr. Fulton, the Director of Planning.

"A brief was presented for the Professional Engineers Association by Col. T. M. Medland, and a brief on behalf of the Canadian Pacific Railway Company by George Miller, Chief Engineer. A memorandum obtained from an officer of the British Ministry of Transport, was also filed and the Honourable

"George Doucett, Minister of Highways, testified before the Committee. Mr. Millar, former Deputy Minister of Highways, resumed his testimony. Mr. Alan Tuttey of the United States Fidelity & Guaranty Company also appeared before the Committee.

"From time to time during the sittings and during the final day of the sittings, reference was made to the Report of J. D. Woods & Gordon Limited, Management Consultants. A number of resolutions were adopted by the Committee, including the following: " --

And there I came to the point where I anticipate a number of resolutions will be presented. We had some en route, which I think may be disposed of quite easily.

There was a resolution en route to refer the matter of traffic lights to the Safety Committee, and that has been done.

There was a resolution to proceed with the outlet of the Nakina road.

That resolution reads as follows:

"RESOLVED that this Committee bring to the attention of the proper highway officials the request for a permit to continue construction of the road known as the 'Nakina Outlet Road' by the

"citizens of Nakina and that this Committee supports unanimously the request as set out in the Nakina brief."

Then there was the following resolution:

"RESOLVED that this Committee recommends that the issuing of public commercial vehicle licenses for vehicles used in highway construction be handled locally, rather than in Toronto, in order to relieve undue hardship to truck drivers in the various local municipalities."

There were certain representations made during our visit at Red Lake, to the effect that everything should be done by the parties to get the west end of the camp organized, as the east end is organized, and have the Department take over the responsibility.

MR. OLIVER: From what you have read -- I do not know whether Mr. Mapledoram will agree with this -- with respect to the P.C.V. licenses being issued locally. I thought that was especially for construction work. I do not think that was emphasized quite enough.

MR. MAPLEDORAM: That applies to highways construction.

MR. JANES: Have letters of thanks been sent to Albany?

THE CHAIRMAN: Yes. I think they should go

out to the mining and other centres.

MR. JOHNSON (Secretary): You will find down a little further it has been recommended that the Secretary send out letters of appreciation.

THE CHAIRMAN: We might recommend this in an omnibus recommendation, that the Secretary forward copies of the briefs to the local officials affected by the subject matter of them, and that proper and appropriate appreciation be extended to the officials and others who extended hospitality to the Committee en route.

MR. MAPLEDORAM: Perhaps we should appoint a sub-committee of two or three members, to consider some of these matters, and explain them, particularly in respect to P.C.V. licenses, and also snow plowing in the North, which subject came up ever place we went.

I think that would enable us to handle matters more quickly, and the sub-committee could report back to the main committee at the next sitting. I think this should be done immediately.

THE CHAIRMAN: What number for the committee would you suggest?

MR. MAPLEDORAM: I think two or three would be enough.

THE CHAIRMAN: We have four northern members,

I think.

MR. COLLINGS: I move, Mr. Chairman, that a sub-committee be struck to confer with the Highway Department.

THE CHAIRMAN: To confer with the Department on matters referred to in the briefs?

MR. COLLINGS: Yes.

MR. MAPLEDORAM: I think we impressed everywhere we went that this Committee had no jurisdiction to deal with certain matters, but I think, in fairness to the people, we should take the time to present these to the proper authorities, and follow them through.

THE CHAIRMAN: Then I will name Mr. Mapledoram, Mr. Herbert, Mr. Wren and Mr. Grummett, Q.C., as members of the sub-committee.

The resolution then, as moved by Mr. Collings will be as follows:

"RESOLVED that a sub-committee consisting of Messrs: Mapledoram, Herbert, Wren and Grummett, Q.C., be appointed to bring to the attention of the proper officials of the Department of Highways the various briefs submitted to the Select Committee during its tours of inspection in Northern and Northwestern Ontario."

MR. JANES: I second that motion.

(Motion agreed to unanimously.)

THE CHAIRMAN: Now, we come to the consideration of several resolutions.

HON. MR. PORTER: Mr. Chairman, I move:

"(1) That the Attorney-General be requested to retain counsel for the purpose of studying and advising upon the present contract bonding practices and forms of the Department of Highways, and that in so doing such counsel be requested to have regard to the corresponding practices and forms in England, New York State, North Dakota, representative municipalities in Ontario and such other jurisdictions as He deems fit;

"(2) that the Minister of Highways be requested to instruct the appropriate officials of his Department to give such assistance as possible to the counsel so retained;

"(3) the secretary of this Committee send a copy of this resolution, together with such of the relevant forms as are available, to the Attorney-General, and a copy of this resolution to the Minister of Highways;

"(4) the Attorney-General report to the Committee the results of the study and the opinion of the counsel so retained."

MR. OLIVER: Should there be a connection between the work of that committee and this Committee? They might report progress back to this Committee.

HON. MR. PORTER: Oh yes, certainly.

MR. OLIVER: It does not specifically say that. I think it would be advisable to have them hooked up.

THE CHAIRMAN: That they report back to the main committee?

MR. OLIVER: Yes.

HON. MR. PORTER: The last paragraph says:

"The Attorney-General report to the Committee the results of the study and the opinion of the counsel so retained."

MR. OLIVER: That is all right.

HON. MR. PORTER: I have so moved, Mr. Chairman.

MR. HERBERT: I second the motion.

(Motion agreed to unanimously.)

MR. COLLINGS: Has Mr. Gordon anything to add?

MR. GORDON: There were some good ideas which came to our attention in North Dakota, and possibly in New York, during the course of your trips, all of which I think will have to be studied very carefully, and some of them incorporated in the over-all plan for the Department.

THE CHAIRMAN: Will you deal with your

recommendation in regard to pre-engineering?

MR. COLLINGS: Will Mr. Gordon tell us where the recommendations are contained.

MR. GORDON: On page 16.

THE CHAIRMAN: We have had the opportunity of reading this, and hearing a considerable amount of evidence on it. Is the Committee prepared now to pass a resolution recommending the inclusion in our report when submitted to the Legislature, of a paragraph approving pre-engineering in line with the Woods-Gordon report?

MR. COLLINGS: When you say, "In our report to the Legislature", are we not in a position to deal with the Woods-Gordon report, and make our views known to the Department?

HON. MR. PORTER: We have no right to report to anybody but the Legislature.

MR. OLIVER: That is my view, exactly.

HON. MR. PORTER: The Department will have our resolutions available to them, but we cannot report primarily to them.

MR. OLIVER: That is certainly my view. May I have the assurance that any resolutions we pass to-day may not be necessarily final resolutions? It may be that in the future meetings of the Committee, new evidence may come out, which would change some of our views.

THE CHAIRMAN: I quite agree with that.

MR. OLIVER: With that understanding, I am agreeable to going ahead with some of these.

HON. MR. PORTER: I think it is the desire, if we can agree, to go ahead.

MR. OLIVER: I do not want these to be absolutely binding on the Committee, that when the report is prepared, these must go into the report.

HON. MR. PORTER: The Committee has full power to rescind these resolutions, or amend them, or change them, just as the Legislature has.

MR. OLIVER: I do not know what some of these resolutions are, but you can well visualize that after these trials are over, and we listen to the additional evidence which will then be available, there might be new evidence bearing on a particular resolution, which we should take into consideration.

But, as long as we understand it --

THE CHAIRMAN: I think perhaps it would be well to review any resolution, if anything new comes up afterwards.

MR. JAMES: It is desirable that the Department adopt them as quickly as possible. For instance, "Property Purchases". That will take quite a while.

THE CHAIRMAN: All we are doing is passing

the resolutions today.

HON. MR. PORTER: These are resolutions dealing with certain briefs. The Department will have to apply them in a practical way.

MR. OLIVER: On that point, I think perhaps the hon. Attorney-General will agree with me, that we cannot even go so far, Mr. Janes, as to recommend to the Department that this or that be done. That is outside of our orbit.

HON. MR. PORTER: We can pass a resolution saying we are favourable impressed with a recommendation in the Gordon report.

MR. OLIVER: Somehow or other the Department will get hold of it.

THE CHAIRMAN: This is the first resolution, which deals with "pre-engineering". On the recommendation of the Woods-Gordon report in that connection, as contained in the second paragraph of page 16, reads:

"We suggest that the Department take immediate steps to strengthen the planning side of the organization even if this means reducing to some extent the amount of new work undertaken in 1954. Every effort should be concentrated on planning projects for 1955 and subsequent years. While this may result in some moderate reduction in the work which

"can be carried out immediately it will permit considerable more work to be done in the next few years in an orderly and efficient manner. We understand that there are consulting engineering firms who would be able to prepare detailed plans and estimates of particular projects. We recommend that the services of such firms should be engaged to assist the staff of the Department until such time as a backlog of planned projects can be built up."

HON. MR. PORTER: I think we can adopt that.

MR. COLLINGS: I move, Mr. Chairman:

"That this Committee recommend that tenders should not be called by the Department of Highways until preliminary engineering has been completed, properties purchased and the Department is satisfied with the state of readiness of the plans and the accuracy of its estimates."

MR. HERBERT: I second that motion.

(Motion agreed to unanimously.)

THE CHAIRMAN: Now, we should deal with a recommendation with regard to "pre-qualification". We have heard a great deal on that in the submission by Mr. Gordon in his brief, and in the evidence by other officials.

MR. WREN: I think there is one thing which

should be considered. I was wondering if the new Deputy Minister, who has just taken hold of the Department, might have some of his men give further study to methods, and then have the Deputy appear later and bring forward some of his views?

HON. MR. PORTER: I think that is an excellent suggestion.

MR. WREN: I would like to hear the Deputy's views, after he has more information.

HON. MR. PORTER: I would not want the Committee tied down to any particular method of accomplishing the desired purpose.

MR. OLIVER: We could say we agree with it in principle.

MR. MAPLEDORAM: We agree in principle that some method is desirable, and perhaps the Deputy Minister could sometime later give us his opinion.

MR. JANES: I can support that.

MR. COLLINGS: The Highway Improvement Act provides that before accepting tenders, they should be amended.

MR. GORDON: If I might say one thing: I think it will take a certain amount of time, to work out the details, and if you felt you could suggest that further studies be undertaken, a great deal of that work

will be done.

HON. MR. PORTER: I think the Legislative Committee will make a mistake by getting into these recommendations in too much detail, but, if we recommend some general objectives which might be achieved by this method, the Department is perhaps in a better position to devise what may be the practical means of going about it.

If we say that in principle we are favourably impressed with the advantages of a certain thing, we might leave it at that.

THE CHAIRMAN: Is it the wish of the Committee that we pass a resolution approving in general principle, a plan of pre-qualification, and suggest that a thorough study be made of it?

MR. WREN: I will so move, Mr. Chairman.

I move:

"That this Committee approves in general principle the adoption by the Department of Highways of a system of pre-qualification of contractors and that study should be given by the Department of methods to bring such a system into existence."

HON. MR. PORTER: I think the word "pre-qualification" is a little strong at the moment. Let us say "qualification".

MR. JANES: I think they have been using that all along.

MR. HERBERT: I will be glad to second that motion, Mr. Chairman.

THE CHAIRMAN: What is the pleasure of the Committee?

(Motion agreed to unanimously.)

THE CHAIRMAN: Now, in regard to "public opening of tenders".

MR. JANES: I suggest that it is in the same category, and that a study be made of it.

THE CHAIRMAN: And we approve of it in principle?

MR. JANES: Perhaps the contractors might have some objection to it.

THE CHAIRMAN: We do not want to make too many studies.

HON. MR. PORTER: I am all in favour of it.

MR. JANES: I can support that.

MR. COLLINGS: I am in favour of that, and that we should have public openings, at which the hon. Minister, and the Deputy Minister should attend.

MR. JANES: I think that is wholly satisfactory.

MR. ELSON: We have already decided in our

own minds on the recommendation in the J. D. Woods & Gordon report, with regard to the opening of tenders. All I have to do is to have it agreed to in principle, to put it into effect.

HON. MR. PORTER: That tenders be opened in public?

MR. ELSON: Yes. This has been laid down, and has been given about two weeks study. We think it is a good system.

MR. MAPLEDORAM: I agree with you.

I will move, Mr. Chairman:

"That this Committee recommends that tenders for contracts submitted to the Department of Highways should be opened in public and full information as to the low bid made available to all bidders."

THE CHAIRMAN: What is your pleasure?

(Motion agreed to unanimously.)

THE CHAIRMAN: Now, in regard to the 5 percent deposit.

MR. JANES: That requires more thought.

THE CHAIRMAN: Do you want to tackle the question of "gifts", or wait a while?

HON. MR. PORTER: I think we had better wait a while on that.

MR. OLIVER: Until some more come in.

THE CHAIRMAN: Is there anything in regard to municipalities which anyone wants to bring up at this time?

MR. JANES: I do not want the municipalities interfered with in any way. Leave them alone. They are doing a good job.

MR. MAPLEDORAM: There have already been some changes in the office.

MR. ELSON: Yes. Until we can give the matter quite lengthy study, we are leaving the municipal questions aside.

HON. MR. PORTER: I do not think we should be too hasty about making any definite recommendation.

MR. ELSON: We think it should be left for the time being --

HON. MR. PORTER: I am inclined to agree, in view of what Mr. Elson has described before this Committee in regard to the changes in the Department, the functions of the officials, and changes in the designations of officials, and their duties. I think we might give that our approval. I think that is carrying out the recommendations of the Woods & Gordon report in every respect.

It seems to me to be obvious it is a good

type of organization being set up, and I do not think we need hesitate to approve.

MR. JANES: That is my feeling.

THE CHAIRMAN: It is the general plan of reorganization, both as to the extent which it has been carried out, and the extent recommended, and we are prepared to give our approval?

MR. MAPLEDORAM: Mr. Chairman, I will move that this Committee approve the recent re-organization of the Department of Highways, in principle.

MR. OLIVER: Does that include this set-up of four people to appraise the contracts?

MR. GORDON: No.

THE CHAIRMAN: That was something done by the Cabinet.

MR. JANES: They are away ahead of us.

MR. OLIVER: I would not be surprised at that.

MR. COLLINGS: What about the --

THE CHAIRMAN: There is a motion before the Committee.

MR. HERBERT: I will second that motion, Mr. Chairman.

THE CHAIRMAN: What is your pleasure?

(Motion carried unanimously.)

THE CHAIRMAN: Now, Mr. Collings, you were asking a question?

MR. COLLINGS: What about the casual staff? That was a matter which was brought up at Fort William?

MR. MAPLEDORAM: Is that not under review by the Civil Service Commission?

MR. ELSON: I think it is. We are thinking about it, too, at the same time.

MR. MAPLEDORAM: You are going to give consideration to putting more people on the permanent staff?

HON. MR. PORTER: We agree in principle to extending the permanent staff.

MR. COLLINGS: The recommendation is on page 37, of the Woods-Gordon report. It reads:

"We recommend that the Department's policy in connection with the employment of casual staff should be changed. A minimum establishment of permanent employees should be agreed to for Head Office and Division staffs. This minimum establishment should be filled by permanent civil servants and no restriction as to occupational classification should be imposed."

"Employees who are actually engaged in work that is of a casual, intermittent or seasonal nature should continue to be excluded from the

"permanent status. The permanent staff needs of each Division should be reviewed at regular intervals and appropriate adjustments made to the minimum establishments as they are required. We recommend also that the regulations to The Public Service Act should be amended to permit certain categories of employees now excluded to be members of the permanent Civil Service."

HON. MR. PORTER: As I say, we agree in principle.

MR. MAPLEDORAM: There should be more highway employees on the permanent staff.

THE CHAIRMAN: There will have to be some amendment to the Act, or the regulations thereunder?

HON. MR. PORTER: Yes.

MR. OLIVER: I will move, Mr. Chairman:

"That the Committee approves in principle that a minimum establishment of permanent employees should be agreed to for head office and division staffs in the Department of Highways and such minimum establishment should be filled by permanent civil servants with no restriction as to occupational classification being imposed."

MR. HERBERT: I will second that motion, Mr. Chairman.

THE CHAIRMAN: What is your pleasure?

(Motion agreed to unanimously.)

THE CHAIRMAN: Now, in regard to the long-term planning for the Department of Highways system throughout the Province. I think we could definitely endorse that.

HON. MR. PORTER: Yes, I think so.

THE CHAIRMAN: Might I say there is a matter we found in North Dakota which appeals to me, that is the "sufficiency rating plan".

MR. MAPLEDORAM: I think we should give that a great deal of thought, Mr. Chairman.

THE CHAIRMAN: We should carefully study the sufficiency rating plan, which might fit into that.

MR. JANES: I think that is all right.

MR. COLLINGS: Mr. Chairman, I will move:

"That this Committee recommends that study be given by the Department of Highways to the relationship between long-term planning for the development of the highway system in Ontario and the system of 'sufficiency rating' as used in North Dakota, with the view of adopting the best principles of each."

MR. HERBERT: I will second that motion, Mr. Chairman.

THE CHAIRMAN: What is your pleasure?

(Motion agreed to unanimously.)

THE CHAIRMAN: There is a resolution, dealing with the Manitouwadge Lake tote-road. Does the Committee approve of that?

MR. COLLINGS: I move, Mr. Chairman

"That the Committee inquire from the Department of Highways if consideration has been given to building a tote-road into Manitouwadge Lake as recommended by a Mining Committee."

THE CHAIRMAN: What is your pleasure?

MR. JANES: There is no seconder, Mr. Chairman.

THE CHAIRMAN: I do not think that resolution needs a seconder.

HON. MR. PORTER: No, I think not.

THE CHAIRMAN: What is your pleasure?

(Motion agreed to unanimously.)

THE CHAIRMAN: Then there is a further resolution concerning the Pickle Crow-Central Patricia Area. Shall we dispose of that at this time?

MR. HERBERT: I move, Mr. Chairman:

"That this Committee agrees to bring to the attention of the proper officials the urging by residents of the Pickle Crow-Central Patricia

"Area that the road between Pickle Lake and Savant Lake be completed and maintained by the Department of Highways for use in lumbering operations, tourist development, transportation of fish from Pickle Lake, as well as for mining purposes."

THE CHAIRMAN: What is the pleasure of the Committee?

(Motion agreed to unanimously.)

THE CHAIRMAN: Then a resolution that the Committee instruct the Secretary to forward to the proper officials the briefs submitted to it during its various tours.

MR. COLLINGS: I so move, Mr. Chairman.

(Motion agreed to unanimously.)

THE CHAIRMAN: Gentlemen, I think we have covered a number of main points upon which we are in agreement.

I want to thank the Committee because we have had a very strenuous programme over the last several weeks, and if tempers have been frayed once in a while, it has only been occasionally.

I hope that all persons interested in this subject will agree that this Committee has tackled its

job and tried to do what it was assigned to do, and has done that in what I think is an impartial and fair way, and I hope the public will appreciate we have gone as far as we can go up to this moment.

MR. WREN: Will it be possible for the Committee to secure a copy of the transcripts of evidence given at the trials now finished, and those which are yet to proceed?

HON. MR. PORTER: Yes, we will have copies made available.

THE CHAIRMAN: I feel we have now reached a point where the Committee will probably have to wait for further meetings, certainly until the preliminary hearings have been concluded, and possibly even until the trials are completed.

HON. MR. PORTER: The first preliminary hearing comes up in Fort William on July 13th. The next comes up about a week later, and the third will come up about the 23rd of July.

MR. GRUMMETT, Q.C.: Could copies of that evidence be sent to each and every member of the Committee? It is not very satisfactory to come to the Committee, and simply have it handed to you.

HON. MR. PORTER: It may take a little time to get that. There will probably be about three weeks'

evidence. However, we will get it.

THE CHAIRMAN: The hon. Attorney-General has kindly said that he will attend to that in his Department, so we will leave it with him.

Is there anything further any member feels should be brought up at this time?

MR. OLIVER: The only thing is a statement by Mr. Cotnam.

THE CHAIRMAN: I spoke to him, and he said he did not have anything to add to his report, at the moment.

MR. OLIVER: You think his statement had better be left for the time being?

HON. MR. PORTER: I would think so. He is available at any time, and will be after the trials are over.

MR. OLIVER: May I ask, for my information, if Mr. Cotnam is compiling the figures for 1949, 1950, 1951, and 1952?

THE CHAIRMAN: Mr. Spence is here. I understand the work is proceeding.

MR. SPENCE: If the Committee wish to have it, it could be made available to members of the Committee.

HON. MR. PORTER: I think it should be given by Mr. Cotnam and not circulated until he produces it.

MR. OLIVER: I did not ask Mr. Spence to make it available now.

MR. SPENCE: No. It will have to be prepared.

HON. MR. PORTER: They will have the figures for 1938, 1937, 1936, 1935 and 1934.

MR. OLIVER: Let us have a look at 1951 and 1952, first.

THE CHAIRMAN: There is one other matter I would like to mention, and I think it is appropriate at this time.

We have had with us representatives of the Press throughout our hearings and on our travels, and I feel they have treated the work of this Committee on a very satisfactory basis, and have reported well.

MR. OLIVER: They may have been slightly pro-government, at times.

MR. JANES: They are intelligent boys.

HON. MR. PORTER: I never noticed they were pro-government.

MR. COLLINGS: Also I think we should say we are appreciative of the Departmental officials and the whole staff, for the co-operation we have received.

MR. JANES: I would like to say to the Chairman that I wish to thank him for putting up with me.

I have been the bad boy on this Committee.

I would like to make a motion that we are glad to welcome Mr. Oliver here again.

MR. OLIVER: I am deeply moved at the moment.

MR. GRUMMETT, Q.C.: I thought we were going to give some consideration to the future plans for the Committee.

THE CHAIRMAN: As I indicated a moment ago, after the preliminary hearings are over, perhaps we can convene again. It could not be until well on into August, before we can have the transcripts of the evidence.

I think perhaps the members would like to know when they can go on their holidays.

In the absence of an emergency, I think we will not meet before the first of September. I think the Highways Committee Counsel might be granted an honorarium of \$500.00.

MR. OLIVER: I think that is very fair.

THE CHAIRMAN: Yes. And I would suggest \$700.00 to the Secretary.

MR. OLIVER: I think that is very conservative.

MR. COLLINGS: I am certainly agreeable to that.

THE CHAIRMAN: That is in respect to their services up to this time.

MR. OLIVER: Yes, of course.

THE CHAIRMAN: Is there any other business, gentlemen?

MR. HERBERT: I would like to move a vote of thanks to our Chairman, who has conducted these meetings in a very efficient manner.

MR. COLLINGS: I will gladly second that.

MR. JOHNSON (Secretary): You have heard the motion. What is your pleasure?

(Motion agreed to unanimously.)

THE CHAIRMAN: Thank you, gentlemen.

If there is no further business, we will adjourn for the time being.

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---- Whereupon at 6:20 o'clock p.m., the further proceedings of this Committee adjourned sine die.

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P R O C E E D I N G S

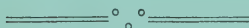
of the

**Select Committee of the Ontario
Legislature appointed to enquire
into matters concerning certain
Divisions of the Department of
Highways.**

MR. A. KELSO ROBERTS, Q.C., CHAIRMAN

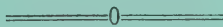
PRESIDING.

MR. V. J. JOHNSON, SECRETARY.



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P R O C E E D I N G S

of the

Select Committee of the Ontario Legislature
appointed to enquire into matters concerning
certain Divisions of the Department of
Highways.

Mr. A. Kelson Roberts, Q.C., Chairman,
Presiding

Mr. V. J. Johnson, Secretary.

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